Nicaragua: A time for hands across the border, Page 5

No. 30.372

EUROPE'S BUSINESS NEWSPAPER Monday October 26 1987

D 8523 A

#### World News

#### Jaffna main Banks meet roads in to review army hands, Brazilian **India** says

Indian army commanders say BRAZIL'S leading creditor they have gained control of albanks met over the weekend in most all main roads in Jaffna, last-minute efforts to thrash out most all main roads in Jafha, last-minute efforts to thrash out a first lanka, from Tamil Tiger a deal before a key meeting of US banking regulators which begins today. They are expected year domination of the city, but to discuss downgrading Brazil's debts to "value-impaired" statils, a move which would force new losses on US banks and worsel's the chancer of ending Brazil's

Gatt funds running out Gatt, international organisation governing world trade, is run-ning out of funds and its direc-tor-general has called a special Gatt council meeting to seek au-thority to raise a bank over-draft Page 6

#### Refusenik to leave Soviet Jewish dissident Vladimir Slepak, granted permission to emigrate to Israel after

waiting 17 years for an exit visa, was due to fly to Vienna today with his wife Maria. Tel Aviv bombs

Two bombs - one placed outside an apartment block and the oth-er at a bus stop - exploded in suburbs of Tel Aviv but caused no casualties.

#### Demjanjuk trlal

The Nazi war erimes trial of re-tired US car worker John Demjanjuk, 6? - charged with killing Jews at the Treblinka

Minister.

#### Pakistan uranium

President Reagan's Administra-tion now believes Pakistan is producing aranium of the grade needed for a nuclear bomb but is still determined to fight a move in Congress to cancel \$4bn of US aid. Page 3

#### S Korean students riot

Riot police re-appeared on South Korean streets at the weekend to confront students engaged in the campaign to elect a new president under democratic reforms introduced last June. Page 4

#### Typhoon hits Taiwan At least 26 people died and eight others were missing after Typhoon Lynn battered Taiwan, triggering landslides and heavy

Japan human chain

### More than 2,700 people pro-tested against night landing practice by US military planes

at an air base in southwestern Japan by forming a human chain along the base. Zimbabwe legislation

### Legislation providing for the election of an executive president will be tabled in the Zim-

abwe Parliament tomorrow.

#### Food aid destroyed

Eritrean guerrillas have attacked a convoy and destroyed 16 lorries of the charity Band Aid loaded with food for starving people in Ethiopia's Tigray province.

#### Doctor canonised

has been declared a saint by Pope John Paul II.

Companies ..

#### Business Summary

# debt status

the chances of ending Brazil's suspension of interest payments on its \$68bn longer-term debts.

EUROPEAN Menetary System: Currencies in the EMS showed little overall change on the week as attention tended to fodraft. Page 6

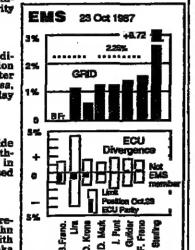
Italy air strikes

Delays and cancelled flights plagued Rome's Leonardo da Vinci international airport as a series of strikes continued to make life difficult for air travelers in Italy.

week as attention tended to focus on the sharp fluctuations in equities and bonds. The D-Mark was unchanged against the dollar until a late fall by the latter on Friday afternoon. However this was not sufficient to place any renewed pressure on the weaker members of the system.

rugoslav riot

Anti-riot police have been sent to Yugoslavia's troubled Kosovo Province as tension grows between the area's Albanian ethnic majority and minorits Serbs. Page 6



killing Jews at the Treblinka concentration camp - resumes today after a two-month break caused by one of the judges suffering a heart attack.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the line) may move more than permits to foreigners after the end of the year to alleviate its unemployment problem, said the control rate against the European Currency Unit (Ecu), itself to heakest of European currencies.

steel company, has presented trade unions with the outline of a radical restructuring plan that would axe 25,000 jobs over the next three years. Page 6

packaging company and based in the US, has received a \$625m

Page 11

the firm. Page 24 CHRISTIANIA RANK, Nor-

of the year. Page 24

MATTHEW BROWN, British brewer, predicted a 13.5 per cent rise in pre-tax profits to £10.9m (\$17.9m) in the year to next September. The forecast was released in an effort to pre-

Dr Giuseppe Moscati, an Italian who devoted his skills to curing PERU Government looks set to the poor and who died in 1927, take over five more banks after the poor and who died in 1927, take over five more banks after the poor and who had been in the prean unexplained delay in the na-

# Shultz rules out further arms concessions for sake of summit

meeting between President Reagan and the Soviet leader Mr

agan and the Soviet leader Mr
Mikhail Gorbachev.

In Brussels, West European foreign ministers briefed by Mr
Shultz at the weekend expressed no more than routine disappointment at the failure to agree on the date of a US-Soviet summit during last week's negotiations in Mosson.

"We have to stay on our course, and not allow anyone to turn a meeting, important though it may be, into a bargaining chip of some kind to get something more for it," Mr
Shultz said.

But he warned that, with a presidential election coming up next year, time for a summit was summit during last week's nego-tistions in Moscow.

MR GEORGE SHULTZ, US Secretary of State, said yesterday commitment to sign an accord that the US would not make furbanning medium and shorterther arms control concessions range missiles this year ap-for the sake of holding a summit peared to be a last-minute nego-Last Friday, Mr Gorbachev retiating tactic.
We have to stay on our

next year, time for a summit was running short. "...there's only a finite amount of time and only a finite amount of patience with

By Lionet Barber in Washington, Quantin Peel in Brussels and Patrick Cockburn in Moscow

linking a meeting to the resolu-tion of outstanding differences

They were far more enthusiastic about the obvious progress made towards finalising the Intermediate Nuclear Forces (INF) treaty, and on strategic arms limitation.

Mr Shultz, speaking on NBC television, suggested that Mr Gorbachev's decision to back next year, time for a summit was running short. "...there's only a switch. Senator Sam Nunn of Georgia, the influential Democrat chairman of the Senate Armed Services committee, said that Mr Gorbachev had made a "fundaday: "We're in no burry, and we television, suggested that Mr Gorbachev's last minute ter switch.
Senator Sam Nunn of Georgia,
the influential Democrat chairman of the Senate Armed Services committee, said that Mr not allow the Soviets to set lim-

Senator Nunn also warned President Reagan that it was in fused to fix a date for a summit, the interests of the US to open linking a meeting to the resolution of outstanding differences inition of the 1972 ABM Treaty. on the Strategic Defence Initiative (SDI), the US partially
space-based anti-missile defence system.

There was palpable disappointment among senior Reagan administration officials after Mr Gorbachev's last minute
switch.

Inition of the 19/2 ABM Treaty.

If we are to reduce our offensive weapons, we need to flew
what limits the Soviets are putting on their defensive systems."

President Reagan's national
security adviser, Mr Frank Caragain yesterday that Mr
Gorbachev had deferred a summit meeting because of divi-

its on the research, testing and development of the SDI pro-

We've made it very clear to

them in Moscow that the Presi-dent was determined to pro-ceed," said Mr Carlucci, a senior member of the US negotiating team, adding that the Soviet renewal of demands to link the SDI issue to cuts in long-range ballistic missiles was 'not ac-

In Brussels Sir Geoffrey Howe, the British Foreign Sec-retary, blamed Mr Gorbachev for producing "a last-minute ob-stacle of his own making" to de-lay the promised summit.

He said it was not clear that Mr Gorbachev was setting any specific conditions for holding a summit, but simply that he felt "uncomfortable" with the idea.

Continued on Page 22 Dangerous tactic, Page 4; Editorial Comment, Page 20



George Shultz: "stay on course

### Hong Kong unveils \$256m rescue plan for futures brokers

BY DAVID DODWELL IN HONG KONG

THE HONG KONG Government yesterday unveiled a HKSZbn (\$256m) scheme intended to rescue brokers facing bankruptcy as a result of speculative activity on the local futures exchange.

The support package was announced by Mr Piers Jacobs, Hong Kong's Financial Secretary, prior to this morning's reopening of both the Hong Kong took and finance evaluations. opening of both the Hong Kong stock and futures exchanges.
Trading on both exchanges was suspended last Monday after the Hang Seng equities index recorded a record loss of 420 points to close at 3,362 amid turnoil on world stock markets.
Mr Jacobs also announced the resignations of Mr Ronald Li, the founder-chairman of Hong the founder-chairman of Hong Kong's unified stock exchange, and Dr Kim Cham as deputy chairman and chairman respec-tively of Hong Kong's futures

Mr Wilfrid Newton, the chair-Mr Wilfrid Newton, the chairman of Hong Kong's mass transit railway corporation, was named as the exchange's new chairman. Mr Philip Thorpe, a senior employee of the securities commission which regulates Hong Kong's futures market, was seconded as the exchange's chief executive.

The appointments were seen as a first step towards tighter exchange is the decision to suspend trading from strong domestic and overseas criticism, arguing that the exchange is unique political and economic circumstances left it exposed last Tuesday morning The appointments were seen as a first step towards tighter

government supervision of the exposed last Tuesday in futures exchange, with tighter control of the stock exchange

T suggest that if we lead to the stock exchange of the stock FINSIDER, Italy's public-sector

TRIANGLE, world's largest cash offer from its president and chairman for the shares they do not already hold. Page

NORTHERN TELECOM and AT&T, which dominate the North American telecommunications equipment market, are to challenge each other for the supply of large telephone ex-changes to British Telecom.

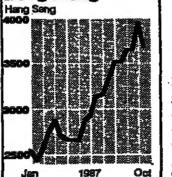
BEAR STEARNS, Wall Street securities trader, is examining legal remedies against Jardine Matheson, Hong Kong trading house, for withdrawing its \$390m offer to buy 20 per cent of the firm. Page 24

chaistiania mana, nor-way's second largest bank, saw operating profits fall 20 per cent to NKr727m (\$109.7m) on group earnings of NKr42.58 a share in the first eight months

vent Scottish & Newcastle Breweries from securing victory in its £186m takeover bid. Page

OSAKA SANSO, Japanese industrial gases group in which BOC of the UK has a controlling position, announced pre-tax profits of Y746m (\$5.2m), a rise of 30.2 per cent in the six months to September 30. Page

tionalisation plan. Page 5



ON OTHER PAGES

Markets in tarmoll, Page 2: Edi-torial comment, Page 20; Big Bang poll results, Page 22; Lex, Page 22; US broker examines Jardine retreat, Page 24; World stocks, Page 41; Currencies, Page 44

ed last Tu

nomic crisis was running out of the colonial administration's

The lifeboat package has been drawn from three main sources. A group of 10 leading stockbrokers have each contrib-uted HK\$50m. This has been matched by banks acting as guarantors to the futures ex-change - which include the Hongkong Bank, Standard Chartered, Credit Lyonnais, Bar-clays and Chase Manhattan. This aggregate HK\$lbn is to be matched by a government fa-cility from the exchange fund. Other weekend moves aimed

Other weekend moves aimed at buoying market sentiment included a I percentage point cut in the local prime rate from 8½ to 7½ per cent, and the early publication of excellent September trade figures.

Stockbrokers nevertheless warned yesterday that prices should be expected to fall steeply. They said continued volatility on Wall Street on Friday had failed to restore confidence stafficiently to preclude a local collapse. local collapse.

Many unit trust managers will be forced to sell shares to meet

investor demands for redemp-tion of units. Investors with exposure on the futures market will also have to sell equities to cover margin calls. terday that a number of stock-

ontrol of the stock exchange "I suggest that if we had not been a acted to suspend trading a week acted to suspend trading a week all backlogged share transactrawn up on advice from Hamber of stock acted to suspend trading a week all backlogged share transactrawn up on advice from Hamber of stock acted to suspend trading a week all backlogged share transactrawn up on advice from Hamber of stock acted to suspend trading a week all backlogged share transactrawn up on advice from Hamber of stock acted to suspend trading a week all backlogged share transactions by the Saturday lunch-trading a week acted to suspend trading a week all backlogged share transactions by the Saturday lunch-trading a week all backlogged share transactions by the Saturday lunch-trading a week acted to suspend trading a week all backlogged share transactions by the Saturday lunch-trading a week acted to suspend trading a week acted to suspend The HK\$2bn support facility, ago, there might a different kind of press confertions by the Saturday lunch-bros, the UK merchant bank, over three days of intensive negotiation, paves the way for the gotiation, paves the way for the re-opening of Hong Kong's exchanges after their week's closure.

The HK\$2bn support facility, ago, there might by the Saturday lunch-time. If these brokers are found to have been short-selling, then comment is the clearest indication there have been warning reminders that this is a criminal that Peking would move swiftly offence which is likely to be prosecuted.

#### Wall Street counts the cost of collapse

By Anatole Kaletsky in New York NEW YORK's financial markets today begin counting the cost of last week's market col-

cost of last week's market collapse.

The full extent of the financial damage on Wall Street will begin to show in the next 48 hours when trades made at the height of the panic must be settled under the normal five-day working day cycle. The market makers and brokers have ultimately to bear the cost of any unreconciled trades.

On the New York Stock Exchange the clearing-up process has been a weekend-long process and is still far from completed. The NYSE said it expected to open for business this morning with 'a normal book-keeping load' but reduced

expected to open for basiness this morning with 'a normal book-keeping load' but reduced trading hours.

Other exchanges and brokers' back offices also worked through the weekend trying to clear up questioned trades and to avert potential trading errora. The National Securities Clearing Corp, the clearing organisation owned by the exchanges, estimated questioned trades rese last week to about 3 or 3.5 per cent of transactions from 2 per cent normally. But trading volume was ranning some two-and-a-half times beavier than usual so the number of disputed trades soared.

But the damage on Wall Street will probably turn out to have been small compared with the upheavals in the fatures and options pits in Chica-sia.

Not only have dozens of indi-vidual market makers been forced out of business by the extreme volatility. Personal fortunes have been far more exposed than on Wall Street by the widespread practice among traders of supplementing their ome by writing put options. Continued on Page 22

### Fed may not join bankers' efforts to support dollar

CENTRAL banks in Europe and US Dollar Japan appear ready to step in if necessary to support the dollar on foreign exchange markets this week, but there are uncertainties over participation by the US Federal Reserve in any such affort.

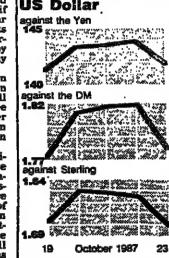
Following the sharp fall in the US currency's value late on Friday, the central banks will be watching anxiously to see whether or not it comes under further pressure when foreign exchange markets open again

exchange markets open again today.

The official hope is that Friday's dollar sell-off will prove short-lived. Senior British Treasury officials pointed out yesterday that February's Louvre accord between the Group of Seven pations remained in place and that, despite the latest fall, the dollar's value against the D-Mark was still close to its level of eight months ago.

conference system.
The officials acknowledged, however, that they were uncerthe Federal Reserve may be willing to support the dollar if it faces a renewed bout of selling. One senior European central banker commented last week What I am afraid of is that the US is not as willing as it is declared to be to defend the dol-

The Fed has intervened on a following the number of occasions since interest rates.



ago.
European monetary officials predicted a concerted response by central banks if markets threatened the accord.
There were informal official contacts over the weekend on possible joint action, and European central banks will consult in detail this morning through their established telephone conference system.

The officials acknowledged, understandings between cen-tral banks. This means that any decision to defend the currence depends on a shared perception that the agreement is under threat rather than on there beany automatic trigger

points.

The monetary officials privately agreed that this general commitment could be tested by the foreign exchange markets following the sharp fall in US

### Peking plans the separation of party from government

THE CHINESE Communist Party has produced a blueprint for political reform which is intended to separate the functions of party and government and to make officials more accountable to the people.

THE CHINESE Communist Party and moments of silence were retyred for deceased party heroes, including Mao Zedong.

A serious problem for Chinese reformers has been to provide ideological justification for the pragmatic decisions made since reform was initial.

walking to centre stage at the Great Hall of the People to applause from delegates. An obvi-ously ailing Chen Yun, 82, a se-nior conservative economist, nor conservative economist, took almost two minutes to shuf-fie the 20 metres to his seet be-side Deng, symbolising the need for rejuvenation, a theme of the congress

Before Zhao's speech, a few

and to make officials more accountable to the people.

Zhao Ziyang, the acting general-secretary, delivering the opening address to the party's lith congress yesterday, emphasised that the party must adjust to be relevant in a China the admitted, however, that further reform was bound to meet with resistance."

Zhao's report was a cleverly crafted document of compromize. He was strongly proreform, and yet admitted that china was in the "initial stage of socialism", which allows it to use some methods which appear to depart from socialist principles.

The address, intended as a summary of achievements since upon father equality of Communist that the quality of Communist party members must improve. Some had been guilty of, among other things, "fax evasion, smuggling, bribery, extortion, and more He also paid his respects to conservative concerns about

against bourgeois ideas.

While the party began talking about separating its functions from those of the Government in 1980, the speech, which is now a

key party document, for the first time produced a concrete series of proposals. Curiously, the delegates were told that party cad-res' should henceforth be known as "public servants."

Zhao said the separation of powers was necessary to cut bu-reaucracy: "It should be noted that the overstaffing overlap-ping and unwieldiness of government organs, confusion of their responsibilities and buck-passing are major causes of bureaucratism."

change will provide a m

corn, and yet admitted that Some had been guilty of, among even the most modest political other things, "tax evasion, smugchanges could take 10 years or more. He also paid his respects to conservative concerns about corruption, rising inflation and grain production.

The week-long congress paramount leader, possess tudent protests, the fall of the party chief, Hu Yao-China's paramount leader, walking to centre stage at the against hoprseois ideas.

"It's not the sort of thing to get people out in the streets and cheering, but it will give confidence to reformers around the country," the diplomat said.

China is to have two classes of public servants, the political and the professional. In princi-ple, the role of the political will be limited to party affairs, while the professional, who must pass a new set of examina-tions, will be responsible for managing departments and en-

However, economic reforms designed to give factory managers control at the expense of party officials have encountered serious problems and, in some respects, are not what they seem, since most managers are party officials. The time tak-en to introduce the new reforms and the breadth of genuine of reformist influence within

Zhao profile, Page 2

the party leadership.



Peking: The man set to lead 44m Chinese communists Chesterfield: Rallying point for UK's radical socialists John Lloyd: In search of a new internationale ... Management: Tokyo Electric - a power to be reckoned with .

Lex: Banging the big drum; Gilt-edged; Internationalisation 22

Management Consultancy: Survey .... III

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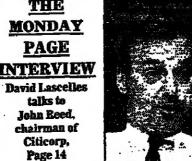
Overseas. Companies ... 10-13 Britain.

Arts - Reviews World Guide . Currencies Editorial comment. John Lloyd ...... Intl. Capital Markets . Letters . Management Men and Matters Money Markets. Stock markets - Bourses ..... .. 41.44 37-41.44 – London UK gilts

Unit Trusts

Weather

THE MONDAY



David Dodwell analyses measures taken to steady markets after a period of panic

ing on the exchanges have com-plained of the fact that they

have no voice on the commit-tees that control these ex-

changes. Their protests have

It would be impossible to overstate the animosity that ex-

ists at the moment between many of the local and interna-

43

been dismissed

The Hong Kong Stock Exchange: a closed battlefield

### Applicants for **BP** shares cannot pull out

BY OUR ECONOMIC AND FINANCIAL STAT

MORE THAN 30,000 applica- ready submitted had passed the so, the £7.2bn share offer, due to close on Wednesday, now appears certain to be a failure because of the stock market collapse last week.

British Petroleum shares. Even so, the £7.2bn share offer, due to close on Wednesday, now appears certain to be a failure because of the stock market collapse last week.

The 30,000 mark was passed on Thursday, only the second day the offer was open. If the pattern of previous privatisation issues were repeated, the bulk of applications would start arriving today.

This may well not be the case,

presentation. The spokesman also re-af-

firmed that there was no question of the offer being delayed or extended. The Government's advisers have also dismissed suggestions that the Bank of England might buy the offered stock to relieve the downward. This may well not be the case, stock to reneve the downwaru considering the wide publicity given to stock market turnoil and the fact that BP shares closed at 227p on Friday, 43p which with the underwriters. The Government is now understood to at least 20p below the price and which its partly-paid form still lack of response to the offer makes it attractive to institute them the fear that large numbers. makes it attractive to institu-tional shareholders.

The Treasury made clear yes-terday that any applications al-

#### City economists foresee no world recession

easing of upward pressures on wages.

The economy will emerge ports, hastening the improvefrom the stock market crash ment in the US trade balance. from the stock market crash from the stock market crash bruised but not broken. Its performance will still compare favourably with that of other nations, especially the US," Mr Martin said.

Hattin said.

#### Japanese place trust in domestic resilience

EVEN IN the grimmest hours of the consequences for the Tokyo stock market of the plunge on Tokyo is within 15 per cent of its wall Street, Japanese politicians, economists and stockbrokers were insisting that the strength of the Tokyo market would reassert itself after the panie.

Mr Kilchi Miyazawa, the Finance Minister, spoke for many in Tokyo, when he said on Friday. 'Stock prices may go up and down in a short range, but there conscillating far below its record high for the year of 2,722 while peak of 26,646. This was reached on October 14 — which seems like a lifetime ago in current markets.

Japanese economists say this divergence shows Tokyo is already poving itself to be the stronger market. They suggest the global turmoil in equities

down in a short range, but there has subsided, are no worries in the long run. It is easy enough to find rea-It is apparent that the Japanese sons for this view: the Japanese

t is apparent that the adding for a fur-economy is heading for a fur-economy is growing at a rate of 3.5 per cent a year, the currency This week, investors may well is strong, interest rates are low get the chance to see whether and Japanese companies are his prediction begins to look expected to announce a bumper

his prediction begins to look correct.

By the end of last week, the losses on Wall Street and in Tokyo were on the same scale.

The Dow Jones Industrial on Saturday, with thoughts Average finished on Friday down 295.98 on the week, at long way from investors' minds. 1,950.76. The Nikkei Index of There was no way to tell when leading stocks ended 3,067.96 Japanese investors might relower at 23,298.78. which came after it had gained a modest market without constantly worafter it had gained a modest market without constantly wor-97.56 points in busy trading on saturday. Saturday. However, there is an impor- before they have the confidence tant difference. Wall Street is to do so. end

Hong Kong exchanges awake to new era

AS FUTURES traders, fund managers and merchant bankers swept from an emergency done all that they can to buoy meeting at the headquarters office of Hong Kong's futures exon Saturday, the Association of change on Friday, only one merchant banker raised his eyes to the corridor of expectant journalists. "So much blood," he said, before fleeing onto the day released prematurely trade

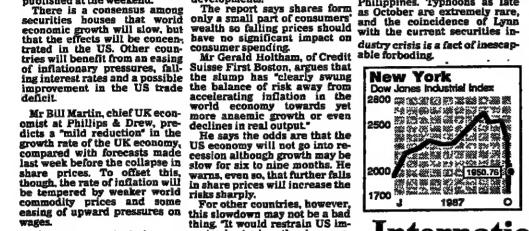
Even this morning it will not be clear how much blood has been spilled in a market that was until a week ago the darling of Hong Kong's investing public. Estimates vary from HK\$2bn to HKS5bn. This may stretch to the limit the HK\$2bn 'lifeboat' operation mounted by the govern-

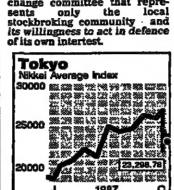
After five days of emergency consultation behind closed doors, the Hong Kong government has yet to reveal the arithmetic of the crisis, and if there metic of the crisis. and it there is panic and pandemonium on both the Stock Exchange and the Futures Exchange this morning, there are many who say it is in large part due to two government blunders - first to allow the Stock Exchange Council to surposed trading lest These allow the Stock exchange Coun-cil to suspend trading last Tues-day, and second to keep the in-vesting public in complete ignorance of the crisis on hand.

It would be facile to suggest that Hong Kong's securities industry will never be the same after the past week, but in many ways the shocking events triggered by the collapse last Monday of share prices worldwide appear to have brought into sharp relief the naivity of the claim that Hong Kong is one of the world's four most important financial centres, and may have prepared the way for changes that might begin to substantiate the claim. There is little doubt that the floor of the stock exchange will be a battlefield when it opens at 11.00 this morning. Mr Ronald Li, who remains Stock Exchange chairman perhaps only for the time being, has closed

THE SLUMP in world stock markets will probably not lead to economic recession, conciude City of London economists in a series of forecasts published at the weekend.

There is a consensus among securities houses that world capnot will slow, but the outside world capnot will ness the carnage. For the superstitious local chinese any chance of a sedate opening was dismissed as typhoon Lynn swept in from the Philippines. Typhoons as late as October are extremely rare, and the coincidence of Lynn with the current securities in the outside world capnot will ness the carnage. For the superstitious local chinese any chance of a sedate opening was dismissed as typhoon Lynn swept in from the Philippines. Typhoons as late as October are extremely rare, and the coincidence of Lynn with the current securities in





the claim.
It has highlighted the formi-

dable power of a stock ex-change committee that repre-

figures for September, which showed domestic exports steaming 28 per cent ahead of the same month last year. It would be facile to suggest

London FT~SE 100 Share Index 2800 % 77 83 % 32 80 80 80 50 2600 2 2 3 3 3 2 3 3 3 3 3 2000

Frankfurt Commerzbank Index 2400 (25) 25 (25) 25 (25) 

Often in the past the international stockbroking houses and fund managers that account for three quarters of the share traditional stockbroking houses and fund managers that account for the countries of the share traditional stockbroking on the creation of the share traditional stockbroking houses and points in the Hang Seng Index, undermined the basis on which they would have had to find an bank financing had been obtained.

estimated HK\$2.6bn.

Not surprisingly they chose to In contrast with the "David suspend the markets. They then and Goliath" polarisation nurproposed to the government tured by local brokers, the institute settlement of Han Sen Intuitions portrayed a group of intuitions portrayed a group of intuitions and the detries are veterate gamblers trying to dex contracts on the futures ex-veterate gamblers trying to change be completed at an artisticater losses by shifting them ficial price of about 3,500, which over to prudent investors who would limit their 1,500, which would limit their losses, and were managing money for the force on those holders of about thousands of small savers with 40,000 "short contracts" a share savings in their unit trusts.

Not surprisingly, these insti-

force on those holders of about 40,000 "short contracts" a share of their loss.

What has emerged over the weekend is that about 80 per cent of these "short" contracts are in fact held by international institutions who were arbitraging between the stock and futures market. The remainder were hedging long positions on the stock market in what they thought was a prudent move of protection against a market reversal.

The futures exchange committee proposal to force them to "share" losses triggered outrage, particularly among the most active arbitrageurs. James Capel, Vickers da Costa and Wardley.

They protested that they stood to lose fortunes if the proposal of the Mass Transit Railway Corporation, as chairman of the Futures Exchange and of

many of the local and international stockbroking houses. Their polarisation is vividly demonstrated in the current futures exchange crisis.

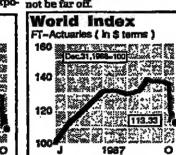
When the Futures Exchange was suspended last Tuesday morning with the committee (many of whose members are also members of the Stock Exchange Committee) anticipating a slump from Monday's closing index of 3.362 to around 2.600, there were about 80,000 contracts open.

Of these, about 40,000 were Tong, and almost all of these would not have prevented were in the hands of local brokers or the high net worth investors who make up most of their but instead destroyed a carefully with unlimited exponents. Their polarisation is vividly demonstrated in the current futures exchange has been in the futures exchange has been in the hands of local brokers or the high net worth investors who make up most of their but instead destroyed a carefully with unlimited exponents. Their polarisation is vividly demonstrated in the current futures exchange has been in the futures exchange itself cannot be far off.

They protested that they rotols the proposal was approved.

As arbitrageurs, they earn of the Futures Exchange, and of the Mass Transit Rail-way Corporation, as chairman of the Futures Exchange has defined to of the markets, but on price differences that emerge between the two markets during its entering the two markets during its entering the two markets during its commission, as its new only its requires the two markets during its commission, as its new only its requires that emerge between the futures exchange instable mark of a palace ourse of routine rading it requires happy to prove the form of equity investing a slump from Monday's closing index of 3.362 to around 2.600, there were about 80,000 contracts open.

Of these, about 40,000 were flowed in the futures exchange has been in a state of permanent logger-heads with the stock exchange of the futu



# International equities markets dealt a heavy blow

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

Small private investors take severe knock

SYALEXANDER NICOLI, EUROMARKETS EDITOR

THE SUDDEN collapse of world stock markets has dealt's severe blow to the international markets has dealt's severe blow to the international markets has dealt's severe blow to the international markets has band been pinning their hopes for expansion.

They have found the London centred Eurobond market in creasing emphasis on global egreently placed increasingly difficult to make money in. With banks from all over the world pilling into it and aggressively seeking business, it had become grossly over cowded.

Moreover, bonds have fallen out of fivour as interest rates have risen, and dollar bonds in particular have suffered from the currency's fall. The performance of the world will be placed abroad, will be a market sugested that it would not be an immediate benefit and provides the ment in bond prospects, with investors favouring more liquid government in bond prospects, with investors favouring more legated to the investors favouring more legated to the investors favouring more legated to the investors favouring and players, such as Credit in a market strussding to recombound market in the convertised stock market was clearly shown last the importance of trading outside, domestic stock market in the week, as well as the importance of trading outside, domestic stock market in the week, as well as the importance of trading outside, domestic stock market in the week, as well as the importance of trading outside, domestic stock market. The repair in the set Their operations and the text fock market in the provide set. Their operations and the text fock market in the provide set. Their operations and the text fock market in the played in the favour state of the investor when the global market; in the provide set. Their operations and the text for the provide set in the distribution and trading of the set. Their instituour of the investor when the distribution and trading of the

The international equity market already faced severe obstacles in its development.

dence in the parent bank. Although, some banks separated their sec

#### 'Alarm bells for world economy'

BRITAIN'S small private investors have taken a severe knock to their confidence as a result of last week's collapse in share prices, according to fund managers and stockbrokers, but opinions are divided about whether they will remain in the stock market, sadder but wiser, or return to the safe haven of building societies.

A survey conducted on Friday nent feature; of Broad Street Associates, the othe BP share offer is not a good buy for the private investors, one fund manager said: some will have cold feet about to at the current market price; but opinions are divided about whether they will remain in the stock market, sadder but wiser, or return to the safe haven of building societies.

A survey conducted on Friday nent feature; of the BP share offer is not a good buy for the private investors, one fund manager said: "Some will have cold feet about investing again short term - it will probably affect them for a given the private investors, one fund manager said: "Some will have cold feet about investing again short term - it will probably affect them for a given the private investors, one fund manager said: "Some will have cold feet about investing again short term - it will probably affect them for a given the private investors, one fund manager said: "Some will have cold feet about investing again short term - it will probably affect them for a given the current market price; "Some will have cold feet about investing again short term - it will probably affect them for a given the private investors, one fund manager said: "Some will have cold feet about investing again short term - it will probably affect them for a given the private investors, one fund manager said: "Some will have cold feet about investing again short term - it will probably affect them for a given the private investors, one fund manager said: "Some will have cold feet about investing again short term - it will probably affect them for a given the private investors, one fund manager said: "Some will have cold feet about investors, one fund Roderick Oram reports on the week when Wall Street looked into the abyss - and then the tide turned

### How luck and nerve saved financial markets round the world

Late on Tuesday morning, a towering tidal wave of sell orders, bigger than any during Monday's historic rout, crashed down on the New York Stock ed up at a construction area, Exchange (NYSE). It seemed ev- where the trading floor was beery last person wanted to sell out of equities. Buyers abandoned the market, pushing the exchange pertiously near to parallels and prices close to a free dark market.

"We were looking into the, At all costs, they wanted to abyss," said one of the market makers on the exchange floor.

At all costs, they wanted to Tuesday had started in the avert a shutdown last ordered bargain hunters piled into the market after President Ken-

ONLY LUCK, nerve and rumours saved Wall Street and fimours saved Wall Street and fitheir stocks in a final drastic atmount to balance buy and sell
world from total collapse at a
orders. The number of halted isheart stopping moment last
sues was nearly 90 out of the exchange's 1,600 and rising rapidlate on Tuesday morning, a
Late on Tuesday morning was all. If trading other 350 point drop in the Dow
Late on Tuesday morning was all lift trading
Momentum was all. If trading

derly markets?

Shortly before noon, Mr John nedy's assassination in 1963 - market after the historic 508 phelan, the NYSE chairman, because they were acutely point, 22 per cent, drop in the hurried down from his office to aware of the dire risks involved Dow Jones Industrial Average the trading floor to consult ur- in last week's fraught atmost the previous session. Stock the trading floor to consult ur- in last week's fraught atmost the previous session. gently with three fellow direc-fors - Mr Donald Stone, the ex-change's vice chairman, Mr John Lyden and Mr James Ja-three feering if they did not sell as a 200 point opening rally. Sud-change's vice chairman, Mr John Lyden and Mr James Ja-they would lose everything But too scared to hold on started John Lyden and Mr James Jates cobson. The three were specialists, as the exchange calls its market makers, struggling at their posts on the floor to find buyers to match stampeding to match stampeding are their posts on the stampeding of the stampeding are their posts on the floor to find a smarket makers tried to generate buyers to match the sell-futures pits across the country are This in turn would lose everything, but too scared to hold on started to a screaming dive which oblitations are market makers tried to match the sell-futures pits across the country are their future would lose everything, but too scared to hold on started to selling again, tipping prices in-the volume of sell orders would selling again, tipping prices in-the volume of sell orders would selling again, tipping prices in-the volume of sell orders would selling again, tipping prices in-the volume of sell orders would selling again, tipping prices in-the volume of sell orders would selling again, tipping prices in-the volume of sell orders would selling again, tipping prices in-the volume of sell orders would selling again, tipping prices in-the volume of sell orders would selling again, tipping prices in-the volume of sell orders would selling again, tipping prices in-the volume of sell orders would selling again, tipping prices in-the volume of sell orders would selling again. buyers to match stampeding erate ouyers to match the sell-sellers.

One by one across the foot-leash further sell orders in a their portfolios by selling stock ball-pitch size trading area, specialists were being forced more impossible for specialists plunged to a huge discount to

'If it wasn't a meltdown, it was certainly as hot as I want it to be. I wouldn't want to be around if a worse one was coming

New York Stock Exchange would have rocked financial markets and institutions around

Prolonged paralysis of the trading rooms around Wall Street, it was even more petrifying than the previous day's panic. Floor brokers mobbed trad-ing posts, clamouring to sell stocks at almost any price. The Apaches were climbing the walls," said one of the exchange's 400 specialists. With barely a buyer a sight, specialists were reeling under the imbalance of orders. "We

had our backs to the wall, said another specialist.
For Mr Phelan, a specialist for 20 years before assuming executive duties, his worst night-mare was coming true. He had long warned that financial futures and their trading tech-niques, interacting with stocks, could trigger in extreme cir-cumstances an unstoppable downward spiral of futures and cash prices like a nuclear reac-

He was on Tuesday as he con-ferred with his colleagues. They agreed to hang on moment by moment Two specialists returned to their posts and the third went back with Mr Phelan to his office. There they resumed "very tense, thoughtful and de-liberate discussions," as one participant described them.
"Ultimately, it was John's decision. He was standing alone. There was a lot of pressure on him to close."

for Wall Street's rout, they seized on rumours that the NYSE was about to shutdown.

Two minutes before noon, the Chicago exchanges ordered a halt in trading of stock index futures. Under their rules, the futures cannot trade if more than they the day's session was still rough. Alwe had been in combat and had though the Dow ended up 102 avoided getting killed."

sure on investors let up.

he specialists said.

The tide began to turn. Presnews, said Mr Lyden. You can make it back. Inventories are to-Relief came inadvertantly and unexpectedly from traders in Chicago's futures pits. Stunned by their financial losses onbionday and Tuesday and deeply embittered by the way many people around the world had made them and their financial futures the scapegoat for Wall Street's rout, they seized on rumours that the

### **Concern for** the safety of securities ... houses

By David Lascelles, Banking Editor

AT THE height of last week's market chaos. Pru-Bache, the wall Street investment firm, rushed out some advertise-ments proclaiming itself Rock ments proctaining lister tooks
Solid' - a reference to its ownership by the Prudential Insurance Company of America,
whose symbol is a rock.
A.B. Tompane & Co was less
fortunate. This small independent market-maker which had

survived the crash of 1929 was overwhelmed by the crash of 1987 and had to be rescued by

1987 and had to be rescued by Merrill Lynch.

The collapse of the investment markets has given rise to widespread concern about the safety of securities houses, and is certain to give fresh impetus to moves to strengthen the international supervision of the investment business.

Mr Robin Leigh-Pemberton, the Governor of the Bank of England, called earlier this year

gland, called earlier this year for an international agreement for an international agreement on the financial markets - similar to one which already exists for banks. Officials said, at the end of last week, contacts between the UK and the US would probably be intensified.

The view in official circles is that while the crash has so far claimed relatively few victims, the full stresses of the market

the full stresses of the market collapse may not make them-selves felt for some time. The upsets in the futures and op-tions market seem the most likely source of fresh trouble. Unlike banks, where central banks stand as lenders of last resort, securities houses have no formal safety net. However,

no formal safety net. However, in the US they are required by their regulators to maintain minimum levels of capital.

In the UK, new capital adequacy standards have been proposed as part of the arrangements for Big Bang. Though these have not yet been formally implemented, they are being applied in practice. Even so, the authorities are bound to inauthorities are bound to in-quire into how well the regula-tory system coped, and whether the capital adequacy standards

the capital adequacy standards are high enough.

The financial position of securities houses and brokerage firms in the UK has changed radically in the last two years because of Big Bang. Virtually all the leading independent brokers and market makers have been bought by large banks and therefore eajoy much stronger backing than before. An exception is Smith New Court, a publicly quoted market-making firm, whose shares slumped last week because of feared trading losses, although it said it had made a profit over the trading account. the trading account.

However, bank ownership of securities houses carries its own risks because of the danger that the failure of the securities

Although, some banks have separated their securities operations into compartmentaltablish the market on a firm they could theoretically walk enough footing - with an efficient technological infrastructure and both issuers and investure as the superstand by them in loss-making times is strong. Because of this. away, the moral pressure to stand by them in loss-making times is strong. Because of this. the Bank of England has in-sisted on its right to supervise the securities activities of share markets fell. Clearly, international markets are here to
stay given modern communications. But, there is a considertions. But, there is a considertions are that some of the inmarket that some of the inthe US and Japan, where In the US and Japan, where investments and banking are separated by law, firms with powerful parents are the exception, though the large independent houses have capital running into the billions of dollars to cover losses, and capital adequate rules are strictly

The governor of the Bank of Italy, Mr Carlo Azeglio Clampi, described last week's market crash as "alarm bells" for the world economy, but claimed: "A look at the real economy is more reassuring."

Mr Ciampi told foreign exchange dealers that, while the Italian economy was fundamentally sound, it faces the risk of renewed inflation.

In the billions of contars to cover losses, and capital adequacy rules are strictly enforced by the Securities and Exchange Commission.

However, the collapse of a major firm anywhere would disrupt markets. damage other firms, and harm banks who had lent money either to the business itself or to its clients.

The danger brought by the rapid internationalisation of the lnvestment business is that foreign branches of a particular

foreign branches of a particular house may get into trouble and

and then the tide turned

Tound the world

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Tound the world

The proposal made by Mr
Leigh-Pemberton was for a
some contracts, the limit was alsome contracts, the limit was alresdy breached so Chicagoans
pulled the plug on the lot, believing the rumours that a total
New York close was imminent.
Other futures exchanges followed sult.

At a stroke, futures were removed temporarily from stock
sellers' calculations. The Quomoved temporarily from stock
sellers' calculations. The Quomoved heavily from harbs to
some contracts, the limit was althe 50 specialist firms on the
floor ran up a total of \$750m of
losses on Monday and Tuesday,
the exchange estimated. They
supervised either by their home
authorities or by their host
countries. In practice, this hapoperations of US investment
banks will have to comply with
the new Financial Services Act.
The trouble usuality comes from
some unnoticed for which the
some unnoticed for which the
expose a regulatory "grey area".
Who is watching over them?
Who will rescue them?
The proposal made by Mr
Leigh-Pemberton was for a
so-called "Basle Agreement" for
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T At a stroke, futures were removed temporarily from stock sellers' calculations. The Quotron screen in Mr Phelan's office began to show stock prices ticking up hesitatingly. We looked at each other and said: has had to sell itself to a big the specialists said.

The tide began to the grade of the specialists said.

Profit or lose is the first of the mover. So far no firms have gone bust although one fallen through the cracks.

Profit or lose is the first of the mover. So far no firms have gone bust although one fallen through the cracks.

Financial stroke, futures were remonths to fully work them off.

The tide began to show stock prices to the mover. So far no firms have gone bust although one fallen through the cracks.

Financial services Act. The trouble usually comes from which has fallen through the cracks.

Financial services Act. The trouble usually comes from the permitted firm which has fallen through the cracks.



the second second

#### Pakistan 'producing high grade uranium'

PRESIDENT Reagan's Administration now believes Pakistan is producing uranium of the grade necessary to build a nu-clear bomb but is nevertheless determined to fight a move in Congress to cancel \$4bn of US

Mr Richard Kennedy, a roving ambassador and chief adviser on nuclear non-proliferation to Mr George Schultz, Secretary of State, said the Government now believes Pakistan has exceeded the 5 per cent uranium enrich-ment level needed for peaceful purposes on some occasions. US intelligence reports suggest that Pakistan is consistently enriching uranium well above the riching uranium well above the 5 per cent level although this year's forthcoming intelligence analysis on the state of nuclear weapons building is expected to again confirm that Pakistan has not yet put together a nuclear not yet put together a nuclear

"The ball game is lost when they cross the threshold and put together a weapon and explode one. That they have not done,"

Mr Kennedy said.

But some senior legislators are furious that Pakistan has lied to the US Administration about the level of its uranium enrichment. Mr Stephen Solarz, Democrat Representative for New York, and Mr John Glen, a Democrat Senator for Ohio, are Democrat Senator for Ohio, are planning to bring legislation to the House of Representatives and the Senate to cut off all aid to Pakistan within six months unless President Reagan can assure Congress that the 5 per cent enrichment level is not being exceeded. The aid is already cut temporarily for technical US budgetary reasons but could be reinstated shortly unless the Glen-Solarz plan succeeds.

Mr Mohammad Khan Junejo, the Pakistan Prime Minister, the Pakistan Prime Minister, said earlier this month that he will not give any further assurances to the US unless India, which exploded a nuclear device in 1874, does the same.

The US Congress has a nuclear non-proliferation policy which bans aid to countries which gain and utilise the abilities to enrich uranium to nuclear

which gain and utilise the abili-ties to enrich uranium to nucle-ar weapons grade. There are ways around the ban, Israel be-ing a notable case of a country now accepted to have devel-oped nuclear weapons capabili-ty while remaining a recipient of US aid.

The Administration wants to deal similarly with Pakistan, believing that Pakistan's policy against the Soylet occupation of Afghanistan and its provision of shelter to at least 3m Afghan refugees is a key regional issue requiring full US support and a more important foreign policy issue than the state of Pakistan and police. Mr Bernard Puns, the French Overseas Territories will an Sanday, Rentan's enrichment programme.

The aid package in doubt in

ing about 20 per cent of Pakis

Mr Rajiv Gandhi, the Prime Minister of India, met Mr Reagan in Washington on Tuesday in what was seen as an attempt to improve strained relations. Mr Gandhi has repeatedly criti-cised the US for not acting strongly enough to stop Pakis-tan building nuclear weapons.

### Robert Thomson on the man set to run the Chinese Communist Party

### Premier Zhao: mysterious reformer

IN COMING days, Zhao Ziyang, the premier with a taste for Western food and philosophy, is almost certain to be put at the helm of the 44m member Communist Party of China. munist Party of China.

The party's 13th congress, which opened yesterday, will appoint a new general secretary and if Zhao doesn't get the job; China will have changed direcchina will have changed direc-tion again without the rest of the world realising. The posi-tion has been vacant since the sacking in January of Hu Yao-bang, who was allegedly too au-tocratic and allowed the spread of bourgeois' ideas.

A career Communist, Zhao steadily accumulated merit points in the provinces as an engineer of reform, and the combination of achievement and political skills should make him acceptable to most factions. His appointment will ensure that acceptable to most factions. His appointment will ensure that reform stays in place, but affirm that no radical changes will be made in the next few years.

Although Zhao is on public display more than most of his comrades, much about the 68-particle security where the factors of the factor

vear-old remains unknown. We do know that he swims occasionally and jogs regularly, has five children and was himself to ease your hunger pangs, the son of a landlord, an accident of birth held against him in a model for reform, and Zhao a 1967, during the Cultural Revolution, when he was paraded through the streets of Canton, dunce's hat on head dunce's hat on head.

dince's nat on nead.

The official biography omits large chunks of his life and Zhao has been reluctant to answer questions on "personal matters." He wears Western suits, though he finds neckties uncomfortable and his public for Western concepts of human-ism, a sympathy he has been careful to couch in Marxist

Communist world: "China is a Communist country, but China's position is quite clear. We do not draw the line at social systems to differentiate between countries. The day of the big socialist family is gone forever. The day should come when no one is judged by a system alone."

The patronage of the paramount leader, Deng Xisoping, has been crucial in winning for Zhao the respect of the People's Liberation Army, which has a deep devotion to and complex ties with Deng and his fellow Long Marchers, but less of a commitment to Zhao and his second generation of leaders.

### 50 arrests in Tahiti after

Minister, said on Sanday, Reu-ters report from Paris. Speaking in a Television inter-

view. Mr Pons said that about 58 people had been arrested in the eapital Papeete after riots on Fri-day in which demonstrators burned shops and cars and 26

Residents on the Island contacted by telephone from Paris A major issue said that calm had been restored against NBC, no on Saturday after six hours of



Deng Xiaoping (left) and Zhao Ziyang at the the Chinese Communist Party congress yesterday

He has read widely and on meeting Mr Richard Nixon dur-ing a US visit in 1984, quoted ex-

tensively from the former presi-dent's book Leaders. Much of

his confidence in handling for-eign officials and in Communist

Party meetings comes from background briefings by skilled

support staff.
The growing confidence has allowed his wit to flourish. Dur-

ing a meeting last year with the Australian Prime Minister, Mr

Bob Hawke, Zhao noted that several members of the visiting delegation were bearded and

quipped that because Karl Marx had a beard, some people

make the mistake of presuming that all bearded men were

Zhao is a Marxist, though his

Zhao is a Markist, though his rejection of traditional concepts and inability to find replacements other than a deep pragmatism, leave him open to criticism that he is ideologically weak. Zhao would argue that reform is "enriching" Markism, but Communist conservatives argue that the eternal truths of Markism cannot be enriched.

Marxism cannot be enriched.

about his prospects for the par-ty post. Zhao has maintained that his talents are best suited to the premier's job. While his answer is part modesty and part

deference to party procedure, there is substance in his words. As premier, Zhao has been able to intervene at the bighest

level in political crises without paying too much heed to the party's ghosts. But as party boss, his role as a reform activist will

be somewhat compromised in political inlighting by his obligations to the party. For example, Zhao himself may be forced to lead campaigns against

"bourgeois ideas" to maintain party harmony, though he finds

Such campaigns distasteful.

Zhao Ziyang has a vision of the ideal Communist very different to that of Mao Zedong.

who attempted to refashion the Chinese character to produce

revolutionary beings of a higher order. Zhao prefers giving indi-

viduals more room to develop themselves, a revolutionary concept for Communist conser-

vatives fond of total control.

China's most populous prov-ince, Sichuan, which he led out of famine and into relative pros-perity during the late 1970s and inspired the peasant rhyming pun: "Yoo chi liang, Zhao Ziyang" - to ease your hunger pangs, look to Ziyang, Sichuan became a model for reform and Zhao a

negative developments in re-form into positive reasons for expanding reform. When an austerity movement was launched early this year as an attack on reform, Zhao blamed the lack of austerity on state-run enterprises and presented a coherent set of arguments to prove that broader reforms are the key to austerity. He also successfully cooled a

rie also successfully cooled a conservative campaign this year against "bourgeois liberalism" with a tough speech delivered at the height of a drive to widen that campaign. Zhao articulated the drive's harmful effects and used the ideological excesses of the conservatives to underwine the conservatives to undermine their arguments against reform. As a West European diplomat explained, the Chinese Commu-

explained, the Chinese Communist Party is a brutal battleground and party members 'do
not get to the top just by being
good administrators.' Another
diplomat suggested that Zhao
has only become supremely
pragmatic during his term as
premier, as he has had to confront problems which had no
remedies prescribed in Communist texts.

#### **US** television strike is settled

week strike by 2,800 employees ended when two local branches of the broadcast employees union still on strike voted to ac-

The National Association of Broadcast Employees and Tech-nicians (NABET) said earlier this week that a majority had voted to accept a management offer for a three-year contract but said the strike would con-tinue until all local branches

A major issue in the strike against NBC, now owned by General Electric, was job secu-

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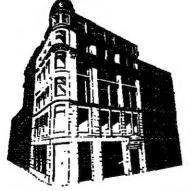
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The decision to refuse a date for a summit with Reagan has come as a surprise to the US delegation. Patrick Cockburn reports

# Gorbachev tries a dangerous tactic in pursuit of an ambitious goal

THE DECISION by Mr Mikhail tactic in pursuit of an ambitious doubt that the first results et Union can be a little more vulnerable to attack from the ing are all making the system goal. The levers provided by achieved a few days ago in flexible on what the US can test ground as soon as hostilities be- look more vulnerable than it could a year ago. Hence gin also fuelled the Soviet condidate for a summit could an agreement is more attain—which are results et Union can be a little more vulnerable to attack from the ing are all making the system flexible on what the US can test ground as soon as hostilities be- look more vulnerable than it could a year ago. Hence gin also fuelled the Soviet condidate for a summit to could a year ago. Hence gin also fuelled the Soviet condidate for a provided by the system of the system date for a summit meeting with too much pressure is exerted by President Ronald Reagan to Mr Gorbachev. Agreement at sign a treaty abolishing inter-the Reykjavik summit last year mediate nuclear forces (INF) on a broad range of arms con-clearly came as a surprise to Mr trol measures was torpedoed by George Shuitz, the US Secretary Mr Reagan's loyalty to Star of State, and his delegation. Wars. There is little sign of his of State, and his delegation.

Mr Gorbachev's aim is clear position changing. enough: he wants to use the le-verage provided by an INF agreement and a summit to limit President Reagan's Strategic Defence Initiative (SDI). Agreethe way for a 50 per cent cut in ister, in Washington in September.

Yet this does not seem to have been the message drawn by Mr Gorbachev from the positive re-sults of the meeting between Mr Defence Initiative (SDI). Agreement on this would in turn open
the next for a second second

Speaking a few days later Mr Gorbachev said: It is beyond

may provoke a sort of peaceful chain-reaction in the area of strategic nuclear weapons and the non-deployment of weapons

More relaxed It was in pursuit of this "chain

reaction that Mr Gorbachev produced his surprise an-nouncement last Friday.

A further reason for Soviet ac-tion could be that Moscow is

the idea that the US could ever build an effective defence system against nuclear attack which could not be rapidly cir-cumvented by the Soviet side.

The real Soviet fear was that SDI might, in association with an American first strike, be ef-fective against a ragged Soviet tegic nuclear warheads moscow retaliatory response depleted by such a surprise attack.

More recently the Soviet atti-tude has sounded a little more programme. relaxed. There is no change in the belief that sdi is an offen-sive system the deployment of which would rule out any agree-ment on limiting strategic weapons the more effective sys-

But the technical difficulties

an agreement is more attainable.

When SDI was first unveiled by President Reagan in March 1963 the Soviet Union mocked the idea that the Use and the idea that the Use attainable and the idea that the idea that the Use attainable and the idea that the idea th

Slim chance

This chance looks slim today and Mr Gorbachev may have ex-aggerated the chance of a chain reaction leading to agreement on strategic weapons and ABM. But has the Soviet leader risked the gains already made? Could now a little more relaxed about the threat posed by Star Wars.

The very fact that weapons or this in turn means that the Sovibiting in space are immediately sition and difficulties of fundSoviet-US relations stall or go

This looks unlikely, the diplomatic dialogue between Moscow and Washington has steadily gained in strength since Mr Shultz and Mr Andrei Gromyko, the then Soviet For-eign Minister, met in January 1985. Even last week's abortive

negotiations produced disap-pointment rather than friction. The strength of US-Soviet de-tente in the 1980s is that it has a greater measure of public and political support than detente in the 1970s. Underpinned by a broader consensus it is less vul-nerable to diplomatic successes and reverses.

Yet there are still dangers in likely to Mr Gorbachev upping the stakes stagnate.

replacing confrontational atti-tudes and policies in Moscow and Washington but there is still plenty of competition be-tween the two. The Soviet Union also knows that a disar-mament treaty signed by Presi-dent Reagan has the advantage of being probably invulnerable to attack from the right.

Most important, it was the two summits in Geneva and Reykya-vik which have set the agends and the tone of relations between the superpowers since 1985. If Mr Gorbachev does not so to Washington or President Reagan come to Moscow the re-lations between the two are likely to lose momentum and

### WEU ministers to set out charter on East-West security

By DAVID BUCHAN IN LONDON AND LAURA RAUN IN AMSTERDAM

rague to lay out their increasingly distinctive European approach to East-West security issues in a common charter or platform.

The WEU

FOREIGN and defence minis- 1950s, reflects a growing desire

months than in the previous three decades, will figure high on The Hague agenda, particularly when the seven defence ministers hold a breakfast meeting tomorrow. So, too, will the results of the latest US-Sovietzers in Meaning Meaning Meaning to the control of t negotiations in Moscow. But the thrust of diplomatic

negotiations, since WEU minis-ters last met in April, has been

of Europe which must continue to depend on nuclear as well as conventional deterrance

Britain, France, West Germany and the three Benelux countries are all ready to state this clearly and publicly at tomorrow's conclusion of the WEU meeting.

Only the Italian government has sought delay and dilution of the proposed "platform", which it fears would makes a forth-

By contrast, France is de-scribed by officials as having shown extraordinary advances. in sinking some of its previous differences with allies in its quest for Mr Chirac's charter.

from Chirac's charter.
For instance, France has subscribed to the WEU report's call for "defence of allies to their borders", implying French readiness to move forward to help defend Germany on the

co-host of the WEU meeting, he said. The concern of some of the seven WEU members is that tion is whether France will put at the disposal of Western Eudilute the largely pro-nuclear rope its (nuclear) force de frappe. So far it hasn't. The UK nuclear force is already partial-ly dedicated to Nato and thus to

Europe.

Referring to Portugal's formal appplication to join WEU, and Spain's declared interest in doing so, Mr van Eekelen also said enlargement of the organisation should be considered later.

weapon bias of the group.
US attitudes to WEU appear
to have shifted from negative

to have shifted from negative earlier this year to positive, as, following discussions in WEU, the British, French, Italians, Dutch and Belgians have sent ships to the Gulf, and the West Germans have partially replaced these forces in the Atlantic and Meditarranean with ships of their own. "It wouldn't strengthen WEU," ships of their own.

**S Korean** 

students

police quell

RIOT police reappeared on South Korean streets at the

#### Airlines' profits plummet

By Michael Donne, A Consepondent

transport industry earned a net profit of only \$100m on reve-nues of \$87.9bn during 1986, compared with net profits of \$600m in 1985 and \$1.1bn in 1984. TRE WESTERN world's air

eral of the 161-member Interna-tional Air Transport Associa-tion, says in his annual report that such a low return means the world airline industry (out-side the Soviet Union and Chi-na) 'is still a long way short of being able to finance the invest-ments it needs to make for its 'future growth'.

On international services alone, the airlines earned an operating profit of \$1.3ba on revenues of \$45bn, but this was cut to a net loss of \$200m after taxes, interest, and other items. This loss in turn was offset by profits on domestic and charter eral of the 161-member Interna

profits on domestic and charte operations, to produce the final total system outcome of the

\$100m. net profit. \$100m. net profit.

Mr Eser, who will present his report to the annual meeting of the IATA in Caracas today, highlights two areas of major financial difficulty - rising fuel bills and the inability to recover earnings blocked by some governments, especially in the Middle East and Africa.

In many countries, experience of the control of the many countries, experience.

Middle East and Africa.

In many countries, government monopoly suppliers of facility high. IATA pressures have resulted in cuts of up to \$80m in such bills over the past year, but the problem remains acute as fitel prices internationally are now rising again.

On the "increasingly difficult issue" of blocked earnings, at end-August there was still \$870m of the airlines' cash owing, again especially from the

South Korean streets at the weekend to confront students engaged in the campaign to elect a new president under democratic reforms introduced last June.

About 2,000 students were dispersed with tear gas after a rally attended by 50,000 people and the two main opposition presidential candidates at one of Scoul's leading universities.

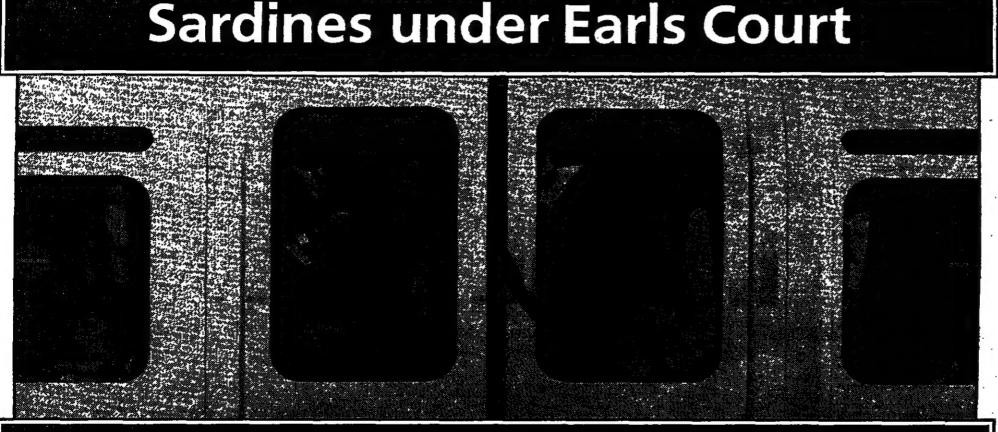
Also after the meeting, Mr Kim Dae Jung, one of the two candidates, led the students in a brief murch which had been declared illegal by the government. Most heeded his appeal to disperse quietly and the rest were sent fleeing by about 1,000 riot police firing tear gas.—Students had been throwing firebombs at Mr Rob The Wee, candidates of the rating Democondidate of the ruling Demo-eratic Justice Party, as his mo-torcade was driving through Tangu, his home town, on the way to a rally on Saturday. This ing again especially from the Middle East and Africa, even though IATA pressure in the first six months of this year achieved the release of some

are oil-producers. During the period of high oil revenues they period of high oil revenues they embarked on costly development schemes that they can no longer finance following the collapse of oil revenues. Such countries now find airlines' hard currency earnings a ready source of cash. Mr Eser also stresses the need for the IATA itself to change its

ways.
The airline industry is rapid ly moving away from the stable regulatory regime and market environment in relation to which IATA has functioned effectively for the past four decades.

There is a clear and urgent requirement to adapt the association further to meet new demands and to emphasise an increasingly business-orientated approach, he declares.

#### to produce a report on long-term European security isthe first serious effort to create has probably raised the public a European defence identity profile of the long-moribund within Nato since the mid- WEUhigher in the past three sues. This stresses Atlantic soli-darity with the US, but emphacoming referendum on civil nu-clear power and domestic polit-Mr Wim van Eekelen, def sizes the peculiar vulnerability problems harder



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### which is the growing anger over bias in the media, especially television, which is seen to favour the ruling party. All TV stations except one would be privatised if he were elected, he said. Zimbabwe bill to set up executive presidency

BY TONY HAWKINS IN HARARE

emocracy.

Both main especition camulates – with Mr Kim Jong Pil,
actes – with Mr Kim Jong Pil,

cities. Mr Boh and Mr Kim Young Sam emphasised their respective plans to end carrup-

tion, while Mr Kim Dae Jung promised that there would be no retaliation for past mis-

doods by the present govern-ment if he were elected presi-Mr Kim Jong Pil added his

the election of an executive president will be tabled in the Zimbabwean Parliament tomorrow, as part of the revision of the country's constitution agreed eight years ago at Lancaster House.

The bill is to result in Mr Rob-ert Mugabe, the Prime Minister, becoming president in place of non-executive incumbent,

the non-executive incumbent, Mr Canaan Banana.

This follows elections last week to fill the 20 vacant, previously white, seats in the House of Assembly. These seats will now be filled by representatives, black and white, elected by the remaining 80 MPs in the House. In the first round of these elections on Friday, all 20 candidates, including 10 whites, nominated by the ruling party nominated by the ruling party ZANU-PF, were comfortably

elected.

The 10 whites include six whose seats were abolished last month. They include no fewer than four former cabinet ministers in Mr Ian Smith's Rhodesian Front of the 1970s. One ZANU-PF nominee, Mr Bill Irvine, had the reputation of being a hard-line supporter of Mr Smith's policies of white domination.

LEGISLATION to provide for the election of an executive didates were heavily defeated last week, says the government is more interested in unity with the Rhodesian Front than with ZAPII This hitter comment follows. the Rhodesian Front than with ZAPU. This bitter comment follows the collapse of unity talks between the two parties in April this year and the recent government offensive against ZAPU, which inluded closure of its offices.

its offices.

The conversion of former Smith men to support of ZANU-PF, which is committed to the establishment of a one-party Marxist-Leninist state, has engendered cynicism about the future role and effectiveness of the new MPs.

the new MPs.

There is unhappine business circles at the election business circles at the election of the president of the Zimbabwe National Chambers of Commerce and the chief executive of the Confederation of Zimbabwe Industries as MPs. There is concern that this will jeopardise the independence of the organisations they represent.

ZANU-PF nominee, Mr Bill Irvine, had the reputation of being a hard-line supporter of Mr Smith's policies of white domination.

Government MPs say they supported the former Fronters to demonstrate their commitment to Mr Mugabe's policy of reconciliation. However, Mr Joshua Nkomo, leader of the op-

### Salinas drops election bombshell

MEXICO'S Planning Minister, Mr Carlos Salinas de Gortari, named earlier this month to succeed President Miguel de la Madrid, has publicly repudiated the ruling Institutional Revolutionary Party's (PRI) practice of monopolising elections, in an unprecedented if tacit admission that not all the

racin admission that not all the rot-pear-old regime's victories had been won cleanly.

Mr Salinas dropped this political bombshell on a carefully-chosen PRI rally at the end of last week in the northern border state of Sonora, scene of a win of Albanian proportions in 1985 governorship elections

win of Albanian proportions in 1985 governorship elections. Some northern states have seen party victories which have not satisfied the local people," the PRI's new standard-bearer said. Though he politely excluded Sonora from this group of states, Mr Salinas said it had to be accepted that the party had be accepted that the party had come out of these elections 'scraped', going on to argue that 'modern politics demands clean elections, and I reject the old

elections, and I reject the old thesis of the clean sweep.' Since the ruling party was formed in 1929 to unify and consolidate the hold on power of the victors of the 1910-17 revolution, it has won every presidential, senatorial, and gubernatorial contest and the overwhelming majority of municipal elections. Since the rigged 1940 presidential election, the PRI would have won most of these contests anyway. But rather than take risks it has preferred to foster an illusion of near unanimity.

of near unanimity.
The de la Madrid Government took office in 1982 promising clean elections. But after a string of defeats by the right-wing National Action Party across the north in 1983, it resorted once more to what is known universally here as 'al-

known universally here as 'alchemy' to face down opposition
challengers.

Last July's bitterly disputed
governorship election in the
border state of Chilmahua,
which provided ample prima facle evidence of irregularities,
caused a national scandal. But
the authorities took refuge in
legislation which requires the
opposition to prove fraud affected more than 20 per cent of
ballots in order for the result to
be annulled.

Mr Salinas last week pledged
to honour opposition victories,
and said his aim was 'not only to
win but to make people believe
in our victory.'

This campaign looks set to be
dominated by the issue of democracy, but also by what to de
about the \$103bm foreign debt
and the fature course of the
country's economic development.

Mr Salinas' successor at Planning 2nd his closest economic
adviser, Dr Pedro Aspe, called

ning and his closest economic wished to discuss annesty and adviser. Dr Pedro Aspe, called greater democratisation of the last week for a reduction in the Government prior to talks on a nominal value of the debt to its | cease-fire. Observers at the cor market value so that it is the ference said no progress debtors who capture all the dismade.

This apparently refers to recent suggestions by Mexico that it might use part of its \$155n reserves at a discount in the secondary market, where it is currently valued at around 53 cents on the dollar.

But beyond any specific mechanism for reducing the debt burden, Dr Aspe appears formally to have opened a wider debate on whether Mexico should be paying what some officials call 'double interest' on its debt, by paying full interest on capital the market itself values at half price.

The Uruguayan trade union confederation has called a general strike for November 18 to protest against President Julio Section 1 Julio Section 1 Julio Section 1 Julio Section 1 Julio Section 2 Julio 2 Juli

Radiation death

An sail.

The radiation leak in Goiania, central Brazil, claimed its first two lives at the weekend when a six-year-old girl and her sunt died of Caesium-137 contamination arising from the theft of ra-diotherapy equipment last month. Ten more victims are in a cricital condition.

### Peru government likely to seize 5 more banks today

plan, the Peruvian Government law nationalising the private firms as expected to take over five more banks today.

Mr Francisco Pardo Mesones, ber 12, 10 private commercial president of the Association of Banks, and of Banco Mercantil, and six finance companies, soon to be nationalised, said he believed the Government would act today but he did not intend to allow the state intervention and the Banco Wiese, and a finance company nearly two least today to the state intervention and the Banco Wiese, and a finance company nearly two least today but he had nauce company nearly two least today but he did not intend to recognise the former owners in part because of the thorny legal battle being to recognise the former owners said they would continue their to recognise the former owners said they would continue their to recognise the former owners said they would continue their to recognise the former owners and to recognise the former owners said they would continue their to recognise the former owners. Said they would continue their to recognise the former owners and to recognise the former owners. Said they would continue their to recognise the former owners and to recognise the former owners. President Alan Garcia's problems are multiplying on other low of the two observances. President Alan Garcia's problems are multiplying on other their owners and six finance companies, and six finance companies, and six finance companies, and six finance companies, are to be expropriated by the state:

Last week, a judge ordered to work as long as the state's administrative committee and a large potion of their being to recognise the former owners as determinent feliused to recognise the former owners. President Alan Garcia's problems are multiplying on other low owners as long as the state's administrative committee and a large potion of the two doctors, Mr Garcia announced wage increases of between 20 cion General de Trabajadores and 30 per cent. He also raised to recognise the former owners as an ancounced to recognise the

AFTER AN unexplained delay Mr Pardo has led the opposition to the Government's new tional five banks, expected plan, the Peruvian Government law nationalising the private first five banks, have been law nationalising the private first five banks, have been meanwhile, employees at the

promised to resist a takeover weeks ago, the Government has to obey the court order, and rephysically.

Weeks ago, the Government has to obey the court order, and rephysically.

The Pardo has led the opposition of the addition who nullified his predecessor's transaction were unable to protect the weekend, union lead

cess the cheques for the sale because the Government refused

ers rejected the Government's increases as inadequate and

### **Antilles** future in doubt

By Raymond Hughes, Law Courts

INTERNATIONAL business lawyers will meet in Amsterdam tomorrow to discuss the long term implications of the ending next January of the 40-year-old Netherlands Antilles tax agreement.
The agreement made the

The agreement made the Netherlands Antilles the biggest offshore financial centre for foreign investors in the US.

In June the US Treasury Department announced that it was unilaterally ending the agree-ment at the beginning of next year. The decision placed in jeopardy \$32bn of Eurobond investments and \$11bn worth of other investments, mainly real estate transactions. Pressure

estate transactions. Pressure from US and foreign investors exempted Eurobonds.
Tomorrow's meeting in Amsterdam has been called by the International Bar Association, the business law section of which regards the US Treasury's decision as "precipitate and taken without due thought of the international financial of the international financial

of the international financial consequences."

Mr Madeleine May, the IBA's executive director, said that one of the main aims of the meeting would be to consider the drafting of future tax redemption clauses. The meeting would also discuss alternatives to the Netherlands Antilles treaty by relocation into the Netherlands, Switzerland or another tax haven.

Peter Ford in Las Manos, Nicaragua, looks at one step to national reconciliation

### Families in balance of Central American diplomacy

No progress

El Salvador

REPRESENTATIVES of the

Government of El Salvador and Salvadorean rebel leaders end-

anguinetti's economic poli

in talks on

SOON AFTER dawn, the two crowds approached each other, eyes sweeping the oncoming faces expectantly.

From the Honduran side of this normally deserted border post came thousands of Nicaragua attree years ago to avoid military service.

This was the first time Mrs. Aleman had come up from Managua refugees, and Contra fighters. From the Nicaragua attree weekly "encuentror", or "meetings began last month.

They were among the lucky seemed resigned to his decision.

They were among the lucky seemed resigned to his room any sland distributing leaflets in praise of the Sandinista government of the refugees. This was the first time Mrs. They were among the lucky for the past aix weekly "encuentror", or "meetings began last month.

They were among the lucky seemed resigned to his readinista government of the refugees. This was the first time Mrs. Then the olicar supply in Nicaragua while their leader manned a loud-special and the outcome of the regional decision.

They were among the nonemits the set eyes on her son Tony since the leaft Nicaragua at the other spot and the outcome of the regional decision.

They was the first moment she set eyes on her son Tony since the leaft Nicaragua at the no-man's land distributing leaflets in praise of the other spot them that the Sandinista government of the refugees.

This was the first time Mrs.

They must come the sanding the contractive and the outcome of the regional decision.

They would not contract the no-man's land distributing leaflets in praise of the sandinista government of the refugees.

This was the first imm Mrs.

To one rebelled on the Nicaragua at their leader manned a loud-special proved offering the their leader manned a loud-special proved of the sandinista government ago to the Managua the Sandinista government's offer of amnesty, and refure the Sandinista government of the individual peace process appears too uncertainstill to convince many of the training the sandinista government of the indinters.

The nother of the first moment she should all the nother

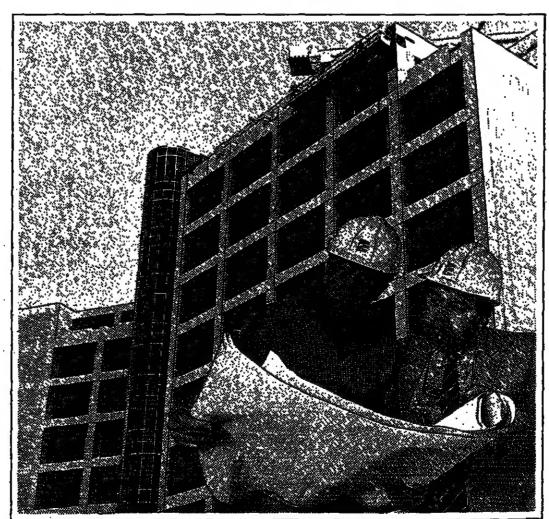


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### stage demonstrations around Montevideo on November 3 to press demands for an 18 per cent real wage increase. The government has announced an government has announced an increase of 14 per cent, but said a larger rise would generate inflation.

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**PUBLICATIONS** 

### Free Port.

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#### Yugoslavia sends police to Kossovo

By Aleksander Lebi in Beigrade

THE YUGOSLAV president has decided to send federal police units into the largely Albanian-populated autonomous province of Kossovo, in the far south of the country, to maintain law and order, admitting that local authorities have lost control.

The decision, amounced yesterday, was taken a few days ago at a meeting chaired by President Lazar Mojsey, who left for Latin America at the weekend

The federal antherities were reacting to intensified hestility from Albanian nationalists and separatists, and activity by Serhlan and Mantenegran na-

thetalists.

The decision may be connected with the conclusion a week ago by the presidency of the central committee of the ruling Communist party that 'there is no place in the party for Mr Fadil Herha,' a former leading politician and an ethnic Albanian. It is feared that this could provoke either protest demonstrations by Albaniam, who make up almost 30 per cent of the Kossove population, or angry reaction by Serbs and Montenegram, who have been accusing Mr Hexka of being the main mover behind pressure far non-Albaniams to leave Kossovo.

### Finsider seeks to shed 25,000 jobs over 3 years

FINSIDER, Italy's public-sector is and Campi would suffer the steel company, has presented heaviest job cuts, but would trade unions with the outline of continue to function. Finsider restructuring plan did not quantify the likely retained at about 79,000 their plan, but union leaders that was postpoued on Oct. 16 in solidarity with the S7 victims of an Italian airliner crash, was rescheduled for to-day.

Pay was a key issue in all contrained of the Finsider workforce, reduction of around 25m their plan, but union leaders that was postpoued on Oct. 16 in solidarity with the outline of an Italian airliner crash, was rescheduled for to-day.

Pay was a key issue in all contrained the figure would be a reduction of around 25m tonnes by 1990. At present, annual output is around 12m unions representing airport third of the Finsider workforce, which stands at about 79,000.

The Finsider restructuring plan, which may go through several changes before it is finally

approved, includes the lower-ing of output geared to markets where heavy losses are made; joint ventures with private sec-tor steel companies, and a L5,000bn-L6,000bn (2,5bn-£3bn) recapitalisation request to the

Most strikingly, however, the plan presented to union leaders in Rome on Saturday does not call for the closure of steel plants such as Bagnoli, the modernised and under-utilised eperation that is among the most calculated celebrated and controversial steel names in Europe.

steel names in Europe.

The plan was revealed by Mr Mario Lupo and Mr Glovanni Gambardella, respectively Finsider president and managing director. Noting that Finsider is making losses of more than L100bn a month, the top managers reckon their plan would bring the group to break-even by 1990.

Plants such as Taranto Bagno-

Finsider made a L980hn loss in 1986 and given its current losses, described recently by the company as "unsustainable", a 1987 deficit of arothid L1,500hn is thought possible.

Finsider stressed at the weekend that the plan outlined to union leaders was only "preliminary" and would be finalised before the end of the year.

Rester reports from Home: Delays and cancellations of flights plagued Rome's main international airport yesterday as a series of strikes continued to make life difficult for air travellers in Italy. Finsider made a L980bn loss

make life difficult for air travellers in Italy.
Further work stoppages are expected today.
On Saturday, the Italian national airline Alitalia was forced to cancel 55 flights due to striking ground personnel, and that number was expected to climb to between 100 and 140 flights yesterday, according to airport officials.
A walkout by pilots and flight

A walkout by pilots and flight

Although the three main unions representing airport personnel agreed to suspend planned attikes this weekend until Monday, when the unions and government representatives are scheduled to reopen contract negotiations, small breakaway unions known as Cobas, or base committees, ig-Cobas, or base committees, ignored the decision.

Labour contracts have also come up for renewal this au-tumn in Rome's urban transport sector, frequently disrupting service on buses, trams and sub-

Italiah commentators said the

Italian commentators said the recent increase in strikes by Cobas members - most recently by railroad employees and teachers - reflected disillusionment with the big, traditionally powerful unions as well as dissatisfaction with contracts.

Press commentators at the weekend complained of what they called irresponsible and politically motivated action by small groups of workers in the small unions.

### **Protests** at cuts in Austria

THE AUSTRIAN GOVERN-MENT'S chances to push through an austerity budget package for 1988 suffered a set-back at the weekend after thou-sands of people joined demon-strations to protest against the

The 15,000 demonstrators — 40,000 according to the organisers — tried to march towards the Parliament where last week, Mr Ferdinand Lacins, the Finance Minister, presented the 1988 bindget which is aimed to reduce the growing budget deficit by Sch 30bn (\$1.5BN).

The plans involve a radical reform of the pension scheme, the introduction of charges for certain treatment in the national health system, reduction of

estrain treatment in the nation of all health system, reduction of the bureauctacy and entities of child benefit allowances. Mr Laoina Intends to main-tain the budget deficit at about Sch 75BN for 1987 and reduce it to Sch 69.8bn during 1988.

#### Gatt may seek overdraft from bank

THE GENERAL Agreement on Tariffs and Trade is running out of funds. Mr Arthur Dunkel, its director-general, has called a special Gatt council meeting for next Thursday, at which he will be the support of the state seek authority to raise a bank

seek authority to raise a bank overdraft.

The basic problem is SF712.5m (£8.4m) owed to Gatt by the US but other countries also have substantial arrears in their payments. Italy, for instance, has still to pay its SF72.9m contribution for 1987.

On October 19, Gatt had only SF72.67m available in cash, enough to pay the October salaries of its 350 permanent staff, but some SF7700,000 short of the sum required to meet commitments due on October 30.

Eyen if the immediate cash problem can be resolved, Mr Dunkel has fold Gatt's 95 member-governments, further shortages will occur, unless a major contribution is paid by Novem-

contribution is paid by Novemper 10.
Traditionally, Washington pays its share (SFr96m of a iotal 1967 budget of just over SFr6im) in the last quarter of the year out of the US government budget which starts on October 1.

ment budget which starts on October I.

Negotiations between the Reagan Administration and Congress over how to deal with the
budget deficit have not been
completed. At a result, most US
government departments are
operating without budget appropriations for fiscal 1987/88.

"At this moment on this par-

propriations for fiscal 1987/88.

"At this moment on this particular issue (Gatt), we are paralysed." Mr Michael Samuels, Deputy US Trade Representative, said.

There was no question of the US deserting Gatt, he added. The organisation is currently conducting its trade-liberalising Uruguay Bound, of which the US has been the main promoter.

the US has been the main pro-moter.

The SFr29m US debt to Gatt on its 1936 budget arose from a problem over exchange rates in US domestic budgeting, which the US Trade Representative's office was trying to resolve, Mr Samuels said.

Late payment by Italy was al-so nothing unusual, an Italian official stated. It normally pays Gatt in October but has on occasion delayed until December.

Mr Renato Ruggiero, Italy's
Trade Minister, told Mr Dunkel
on Friday that he would try to
speed up official procedures in
Rome,
Among other receptives with

Among other countries with substantial unpaid dues to Gatt are Brazil (SFr15m) and Nigeria (SFr146m). Several African countries have debts dating back to the 1970s.

### Poles loosen dollar policy

BY CHRISTOPHER SORMED BY WASSAW

B'HOM THE beginning of next
month the Polish state-owned
PKO bank is to start purchasing
dollar coupons from Poles at
the free-market rate and thus to
encroach on the hard-currency
black market. The authorities
have also announced they are
lowering interest rates paid on
Poles' hard-currency deposits.
The coupons are how issued
by the PEO Bank against hardcurrency deposits and are used
by the PEO Bank against hardcurrency deposits and are used
for purchases in the stateowned hard-currency shops.
The coupons have a street value
of some ten per cent below the
current free-market dollar rate.
The dollar is now worth Zloty
1,000 in illegal free-market
transactions, compared to the

official rate of ZI 295. official rate of Zi 290.

The PKO is to charge 2 3 per cent fee. Poles will also be able to raise zloty loans at 18 per cent annual interest against se-

cent annual interest against se-curity of hard currency depos-its. Individual Poles will still have to raise hard currency abroad, or go to an illegal deal-er, to satisfy their hard curren-cy and dollar-coupon needs. Until now, Polish banks have paid a top interest rate of 11 per cent tax-free on dollar, sterling, D-Mark and Swiss and French franc three-year deposits, com-ing down to 5 per cent on cur-rent accounts. Now, in line with World Bank suggestions, banks here are lowering interest rates.

### WORLD ECONOMIC INDICATORS FOREIGN EXCHANGE RESERVES (USE)

#### **SHIPPING REPORT**

### Fears for Kuwait loading

their requirements from safer regions of the Gulf, where both cargo and vessel insurance pre-miums are less prohibitive, Gib-The free-on-board cost of this oil is higher than that from Kuwait, where big discounts are available, but the total delivered cost is more than competi-

tive. Brokers said conditions in the Gulf made it impossible to pre-dict events in the short term with any sense of realism but they reported unexpectedly high demand for tunnage in the southern Gulf. This was wel-

USE OF heavy rockets against tankers loading in Kuwait led to speculation at the weekend that owners may prove increasingly reluctant to venture into the northern Gulf.

E.A. Gibson, the London ship brokers, said the escalation in fire-power and an increase in war risk insurance premiums could make Kuwait 'completely unattractive' at current rate levels.

In the absence of an increase of 10-20 points in rates, charterers could be forced to meet their requirements from safer regions of the Gulf, where both regions of the Gulf, where the complete that the weekend that crude carriers, some of which had been awalting employment for some time. Four ULCCs were reported fixed for long-haul trips at worldscale 39. There was also increased demand for very large crude carriers, some of which had been awalting employment for some time. Four ULCCs were reported fixed for long-haul trips at worldscale 39. There was also increased demand for very large crude carriers, some of which had been awalting employment for some time. Four ULCCs were reported fixed for long-haul trips at worldscale 39. There was also increased demand for very large crude carriers and rates rose quickly. In the dry cargo markets, regions of the Gulf, where both regions of the Gulf, where the crude carriers, some of which had been awalting employment for some time. Four ULCCs were reported fixed for long-haul trips at worldscale 39. There was also increased demand for very large crude carriers and rates rose quickly. The course of the

moved up to \$10.50.

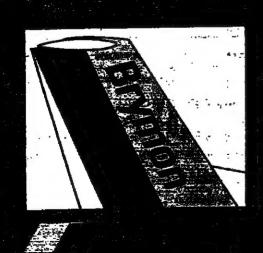




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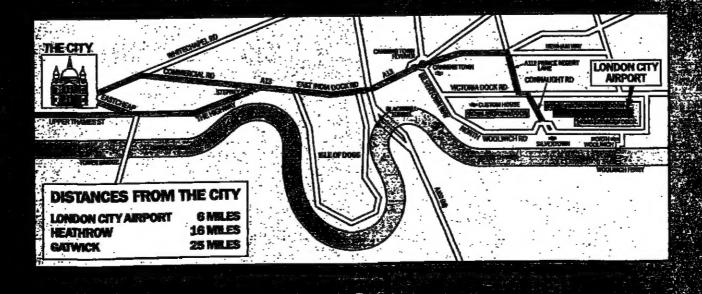
LONDON CITY AIRPORT





aft

pol





Councils may set

poll tax start date

# Town halls less defiant as rate-capping begins to bite

THE GOVERNMENT's agonised so-called creative accounting, a attempts to curb the esses of series of increasingly complex high-spending local authorities devices used to get round the Two and a half years after the capital and current account introduction of rate capping, even the most stubborn left-wing Labour councils are coming to beet.

Lambeth, under "Red Ted"

Government's restrictions on the panacea it once was.

Many of the most obvious loopholes have been plugged and the mosey market has been

Lambeth, under "Red Ted" and the money market has been Knight, perhaps the most recal-warned off by declarations that citrant of all, has just confirmed the Government would in no cirmeasures aimed at closing the cumstances stand by local auhuge budget gap of £60m in the thority debt. next financial year, and Cam-den, Haringey, Hackney, South-wark and others have plans for painful retrenchment.

So. in a series of moves of great political significance, lo-cal authority leaders, primarily in London, but also in other au-

Cuts in jobs and services and increases in rents are inevita-ble across a large number of La-further defiance. They see no bour councils. This time the squeals of pain are real.

The change in attitude has lors into pointless martyrdom. been forced on Labour local authe first being the third election take the hard line of defiance victory in a row for Mrs Thatcher over the Labour Party.

In spite of specific warming the upshot is that many Labour leaders who continued to take the hard line of defiance have been ousted or forced into a minority within the reliance. thorities for two prime reasons, the first being the third election

a minority within the ruling Labour group.

In spile of specific warnings before the June election from Mr Neil Kinnock and other party leaders that there would be no blank cheque from a Labour government, council leaders reasoned that a Labour Environment Secretary would be much more sympathetic than the uncompromising Mr Nicholas Ridley, and at the very least las Ridley, and at the very least would allow rescheduling of would allow rescheduling of debts. They are faced, however, with Mr Ridley or his successors for four more years. The second reason is that

point in following disbarred Lambeth and Liverpool council-

At Haringey, a hard-left bud-get that would probably have led to surcharging of council-lors, has been defeated and the leadership taken over by the "soft" left. A cuts package of



Nicholas Ridley: refused to rule

£15m has been proposed to bring the council within this

year's budget. Similarly in Camden, eight rebels who voted against cuts were dismissed from committee chairs before a decision was taken to cut next year's budget to 80 per cent of this year's spending. There remains a gap of £53.6m next year to be bridged by other means.

The Irony is that the moves, although caused by Conservative policies, will probably do

doubt that Labour suffered bad-ly in June because of the image of left-wing loony councils parof left-wing loony councils par-lems they have for the most part ticularly in London. It was the come to terms with the Governbiggest cross Mr Kinnock had to

Now, with the soft left and moderates in the ascendancy, and value for money and efficiency taking precedence in Labour's political vocabulary over conformation.

bour's political vocabulary over confrontation, this weight has largely been lifted.

The low point came in the spring when the independent Audit Commission, responsible for improving local authority efficiency, published a widely resignation. The attitude of councils now is to do the best they can and impose the necessary cuts as painlessly as possible. There is no longer any interface on protester all interests. The low point came in the spring when the independent Audit Commission, responsible for improving local authority efficiency, published a widely resistence on protecting all jobs ported survey comparing sets of and services, although there is ported survey comparing sets of and services, although there is eight deprived boroughs, two in still a determination to avoid London and one in the provinces. The group of inner London boroughs, Brent, Camden, Hackney, Haringey, Islington, Lambeth, Lewisham and Southwark, all Labour-controlled, came out appallingly in victors.

Lambeth, Lewisham and Southwark, all Labour-controlled, came out appallingly in virtually every respect.

The report helped by placing vital external pressure on the councils to start putting their own houses in order rather than simply rely on the chimera of an incoming Labour government to bail them out.

Nevertheless, the present position is that all but two of London's 15 Labour-led local authorities are in severe financial difficulties as they seek to balance their budgets for 1988-89.
Only Hounslow, and Barking and Dagenham look clear of severe constraints.

come to terms with the Govern-ment's edicts rather faster than

many London boroughs. The ex-

without trauma; violence flared in the council chamber at Haringey when left-wing demon ception is Liverpool, which still has a budget gap next year of more than £50m which risks becoming unmanageable. strators protested against spending cuts of £15m this year and £26.5m next year.

rate-capped councils in earlier years was to go to the Govern-ment to seek redetermination of their budgets because of bard-ship. However, this avenue has been effectively closed by Mr Ridley who has refused to give a pledge against using draconian powers in such circumstances to determine future spending

There is no alternative to harsh cuts in both services and staffing levels in many boroughs and the signs are that next year, when more of the delayed interest payments on creative accounting measures become due, the medicine will be even more bitter. even more bitter. Mr Tony Travers, a specialist

Mr Tony Travers, a specialist in local government finance at the London School of Economics sums up the situation: There is a new realism coming through in London Labour government, much less threatening and much more prepared to compromise in the name of efficiency. The Government is winning its battle but it is killing off one of its best propaganda assets, the Labour left, in the process."

quickly to introduce the com-The changes have not been munity charge, or poll tax, will be considered this week by senior ministers.
This follows widespread calls

at the Conservative Party con-ference in Blackpool earlier this month for the immediate introduction of the charge in One way out for beleagured place of domestic rates, rather than the four-year phasing-in from 1990 onwards announced in late July. Mr Nicholas Ridley, the Envi-

ronment Secretary, said be welcomed these unexpected calls. since he had always favoured a short transition period. A compromise proposal has

been devised to allow local authorities to decide whether they want to introduce the charge in one go, or over four years.

There are, however, complicating factors associated with the redistributive framework in the realisticative trainework in the rate support grant system, and with the proposals to allow inner London boroughs to opt out of the Inner London Education Authority. The Treasury has also been

strongly opposed to the rapid introduction of the new charge, on both financial and political grounds, and has favoured a engthy transitional period. This decision will be the final one before the bill on rates re-form is published towards the end of next month.

PROPOSALS to allow local euthorities the right to decide how and other Tory backbenchers and other Tory backbenchers has aiready made clear its opposition to the change, though government business managers are now reasonably confident about its passage through the Commons, with the main prob-lems being in the House of Lords next spring and summer. A warning shot will be fired this evening by Mr John Biffen. the former leader of the Commons, in a pre-recorded inter-view on the BBC's Panorama

He says the charge will be "deeply resented" by a large number of Conservatives and he notes the quality of the opposi-

Mr Biffen argues that the new system must be just and not one which bears more heavily upon the poor than it does on the-

Significantly, in spite of the general increase in support for the Conservatives in the opinion polls since the June general election, a Market and Opinion Research International survey in yesterday's Sunday Times suggests that 49 per cent of the sample oppose the new tax, against 37 per cent in favour. This represents an 8 per cent swing against the plan since

The same survey, taken last Monday, also points to opposi-tion to a number of the Govern-ment's other legislative proposwater authorities.

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Yorkshire Bank announces that with effect from close of business on FRIDAY OCTOBER 23 1987 Base Rate is reduced from



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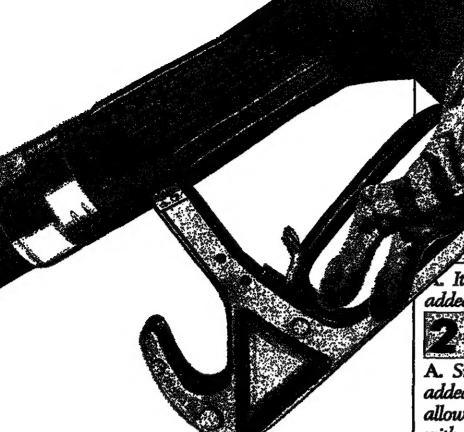
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# LEAPING AHEAD WITH UNLEADED.



Inleaded petrol is becoming the order of the day for more and more motorists in Britain.

And the company that is serving them best is Esso.

We were the first company to introduce unleaded petrol in Britain, opening our first pump in June 1986.

Since then, our national network of strategically chosen sites has steadily grown and is far larger than that of any of our competitors. By December 1987, there will be over 200 Esso stations offering Esso Unleaded.

You may ask, "What has this to do with me? My car can't run on it."

The surprising fact is that 40% of post-1985 cars can run on unleaded petrol with minor adjustments to their engines. Eventually, of course, all new cars will be designed to run on unleaded, which should be widely available in the UK and other EEC countries by October 1989.

For motorists, the changeover will probably raise a series of questions – which is why we've produced this page.

Alternatively, you can pick up the Esso Unleaded leaflets, including our Service Station Site Directory, at your nearest Esso station.

We hope that in this European Year of the Environment you will find them helpful.

Q What is unleaded petrol?

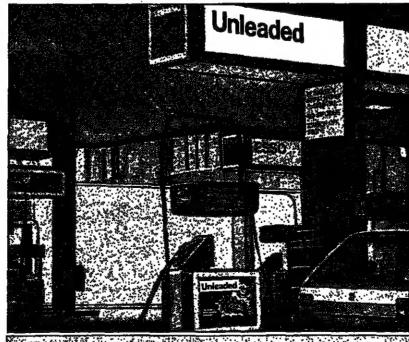
It is petrol to which no lead has been deliberately added.

#### 2 O Why is lead added to petrol?

A. Small quantities of lead compounds can be added to petrol to increase its octane number. This allows the use of higher compression ratio engines with more ignition spark advance, which means improved engine efficiency and fuel economy. To replace lead we have to introduce more high octane compounds to compensate.

### What is low lead petrol compared to a smleader?

A. Low lead refers to the normal leaded petrol which is currently available. This is because the lead content was reduced in all petrol to 0.15g per litre on 1st January 1986 from its previous level of 0.40g per litre, in line with British Standard 4040. Unleaded petrol is allowed to contain up to 0.013g per litre which is why it cannot be called 'lead free', although on the Continent this term may be used where unleaded cannot be translated.



2 Q. Can I use inleaded petrol in my car?

A. The majority of cars in the United Kingdom have been designed to run on leaded petrol. However, nearly 40% of post-1985 petrol cars are now capable of running on unleaded fuel, although most will need some minor adjustments to allow this. Eventually all new petrol cars will incorporate the necessary modifications for them to run on unleaded. Before attempting to use unleaded petrol you should check first with your car dealer or motor manufacturer.

5.Q. What is a catalytic converter?

A. Although not legally required in the UK at present, a catalytic converter is a device that can be fitted to the exhaust system. When the exhaust fumes pass through the converter, emissions such as nitrogen oxide and carbon monoxide are burnt up or oxidised. Unfortunately, lead damages the catalysts, so they are only effective on cars already using unleaded petrol.

### Q. Where can I buy unleaded petrol?

A. Esso were the first company in the UK to put unleaded on sale. And since then we have been increasing the number of our service stations that sell unleaded petrol. We have more stations selling unleaded than our competitors — and by the end of 1987 the number of sites will have risen to over 200. For details of where you can buy Esso Unleaded please pick up a FREE copy of our latest site directory from any Esso station.

### How will I know which pump dispenses unleaded petrol?

A. Esso Unleaded pumps are clearly marked UNLEADED and will usually have a small pump nozzle and identification cover marked UNLEADED on the nozzle.

### What happens if I inadvertently put the wrong fuel in my car?

A. Given the safeguards mentioned above it would be very difficult for you to do so. However, an isolated incident may not be too serious. Unleaded petrol used in an engine designed to take leaded, or leaded petrol used in an unleaded engine, could eventually cause damage to the engine.

### What about other petrol fuelled equipment, like my lawn mower and chain saw?

A. Some will operate successfully on unleaded. However, you should check with the manufacturer or dealer for specific advice and follow their recommendations.

### Q. For how long will leaded petrol continue to be available?

A. Unleaded petrol will be phased in over a number of years. Therefore both leaded and unleaded will be available for a transition period which will be as long as the present product is required to supply today's cars.

### Q. What happens if I take my car to the Continent?

A. Both leaded and unleaded petrol are available in Europe. There may be slight differences in unleaded to take account of local conditions, but this is unlikely to affect a car that can run on unleaded petrol.

Quality at work for Britain.

SICKNESS ABSENCE RATES BY COMPANY SIZE (1986)

sums argues that work absence is often symptomatic of a general failure to abide by agreed rules of commitment, morale and responsibility within the workforce." sults argues that work absence

Number of employees

1-100

THE COST of absence from work to British business is 55bn a year, and the factors most widely blamed for the UK's comparatively poor record are lack of motivation on the part of workers or their family record. workers or their family respon-sibilities.

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These are among the findings of a survey by the Confedera-tion of British Industry which also reports that full-time manall workers have the worst at-tendance record, taking 11 days off a year against the 6 days tak-en, by full-time white collar staff.

It also concludes that self-cer-tification of sickness may have encouraged sickness absence in the form of a shift towards peri-ods of absence lasting 4 to 7 days under the 1983 Statutory Sick Pay scheme.

The survey supported the idea that the rate of sickness in-

By our Labour Staff

ONLY 33 per cent of women who work part-time are members of trade unions, compared to 50 per cent of those working full-time, according to a report on new working patterns published today.

It also suggests that unless union recruitment drives aimed

at part-timers - 90 per cent of whom are women - concentrate on issues such as child-care, pa-

rental leave and maternity rights, they will be unlikely to

"Part-time workers have been seen as having less interest in trade unions and a lower level of activism at the workplace,"

Part-timers Under Pressure; by Jennifer Hurstfield, Low Pay Unit, 9 Upper Berkeley Street, London WIH &BY; £3.00.

for the UK's poor record - 11.8 per cent of full-time employees were found in an earlier study reases with company size (see table) but found a fairly stable tevel of sickness absence in all sizes between 1983 and 1986, depite a slight rise in 1984.

The survey, of 431 companies employing 1.2m people, found some regional variations in work absence, the non-attendance rate being highest in the sizes responsible, along with

north-west of England and the south, and lowest in the south-west and west Midlands. The report containing the reunauthorised extension of holidays and drink-related prob-

Source: CBI Servey, Spring 1987

Non-Manual

days and drink-related problems.

They were also asked if they believed any factors had discouraged employees' absence in their businesses: 70 per cent of those which did singled out improved monitoring procedures. Thirty-five per cent cited fear of redundancy and the lack of available jobs elsewhere.

Around 58 per cent of companies replying said that the Statulory Sick Pay scheme did not create a significant administrative cost, but 94 per cent said they would object to an extension of the time period for self-certification.

Absence from Work; CBI, 103 New Oxford Street, London WCIA 1DU; £5 to members, £7 to non-members.

Unions warned Rover workers vote on recruitment on shares scheme of part-timers

A meeting of the werkforce of Lianelli Radiators, Rover Group's component plant in Dyfed, Wales, is to be held today to seek backing for an employee share ownership scheme financed by Unity Trust, the trade union bank.

Provided that at least 500 of the 800 workers buy £500 (\$225) of preference shares in the company by November 6, a US-style Esop (Employee Share Ownership Plan) will be triggered, under which 25 per cent of the ordinary shares will be held in an employees' trust.

The Esop, the fifth to be made public in Britain, is expected by union negotistors to be fully backed by the workforce despite some potential misgivings prompted by finctuations in the world financial markets.

The remust be some donbts, but I think they are intelligent enough to see the difference between speculating in shares and buying a stake in your future, said Mr Brian Johnson, chairman of the plant's joint union of

्राध्यम् **१८ देवत् । सन्त**्राध्यम् । १५४ ६ ५५

### PLESSEY WINS £6m SYSTEM X **ORDER FROM CHINA**

A £6 million contract to supply System X to China has given Plesseyits second major overseas success for this advanced digital switching system. The contract is for 26 exchanges with a capacity of 24,000 lines, for delivery by

Plessey Telecommunications Systems will supply the local exchanges and remote concentrators as part of the Zhengzhou-to-Baoji railway electrification project.

System X was successful against intense international competition, which included bids from seven other established suppliers. The contract is financed by the Overseas Economic Fund of

Japan.
The adjudication was on the basis of System X having the most modern technical solution available to meet the stringent specifications of the tender.

> £7m ISDX **SWITCH FOR BT**

Plessey has won an order worth nearly £7 million from British Telecom for its top-selling ISDX

The order is for the ISDX

300, with from 16 to 32 exchange

lines and from 80 to 160 internal

extensions.
Mr Ian Maclean, managing

director of Plessey Business Systems, said: 'We have

continually developed this

product since its arrival on the

market in 1983. British Telecom

have seen it to be the leading

PBX since it was launched and

our latest enhancements have

ensured the future of the ISDX

as probably the world's most

approach by BT, who will now

have the ISDX on the shelf to

are compatible with existing

meet customer demand.

The order marks a change of

All ISDX developments

advanced system.

business exchange.



BREAKTHROUGH

Mr David Dey, managing director of Plessey Telecom-munications, said the contract was further confirmation of the opportunities that existed for industry in world markets. We have been determined to break into the international marketolace for the supply of System X and our persistence, first in Colombia and now in China, has been rewarded,' he

'The recent criticism of SystemX is now shown for what it was - ill-conceived and ill-

#### DCO switching system in South Central Bell territory. the British public switching

the latest in a string of sales that have made Plessey intelligent payphones world-beaters.

Worth \$3.5 million, with an option worth another \$3 million, the order is for 2,000 street coin phones and a trial 100 credit card phones in and around Bogota.

Plessey won the order from Empressa Telecom Bogota of Colombia, beating the cream of European and Japanese opposition.

Plessey is already supplying payphones to five of Colombia's six major administrations.

SALES TRIUMPH From having just a single

payphone customer four years ago, Plessey has grown to become a world leader with sales to 37 administrations. Plessey payphones will accept coins, tokens, pre-paid

SYSTEM CENTURY is a trede mark of Stromberg-Carbon Corporation.

**MORE PAYPHONES FOR COLOMBIA** TELEFONO

cards and international credit Mr Peter Brown, managing director of the Plessey payphones business, said: 'Our

microprocessor technology has seen us triumph over world competition and in world markets by sheer excellence."

**USA FIELD** 

TRIAL SUCCESS

Stromberg-Carlson, the Plessey subsidiary in the USA, has announced acceptance by Pacific Bell of two field trial installations

of the SYSTEM CENTURY

Digital Central Office (DCO)

The installations include a

4,872-line host switch and a

1,716-line remote network

switch at locations about 75

president Ernest L. Jones said acceptance of the field trials

exemplified Stromberg-Carlson's steady progression into the Bell Operating

Last April Stromberg-Carlson received an order from South Central Bell for 600,000

lines of DCO equipment between 1988 and 1990. That

order closely followed completion of a Bell

Communications Research

implementation analysis and

the successful cutover of a

Company environment

Stromberg-Carlson

miles north of San Francisco.

switching system.

Among the advanced features of Plessey payphones are automatic fault reporting. electronic coin validation and high resistance to vandalism.





# The height of high technology

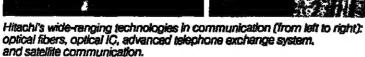
# Communication is not simply sending a message...it is

the report says.

creating true understanding—swiftly, clearly and precisely. "I know he's trying to tell me something: but what does he really mean?" In our world of proliferating technologies and new terminology, this kind of question is asked a lot. Here is what we are doing about it.







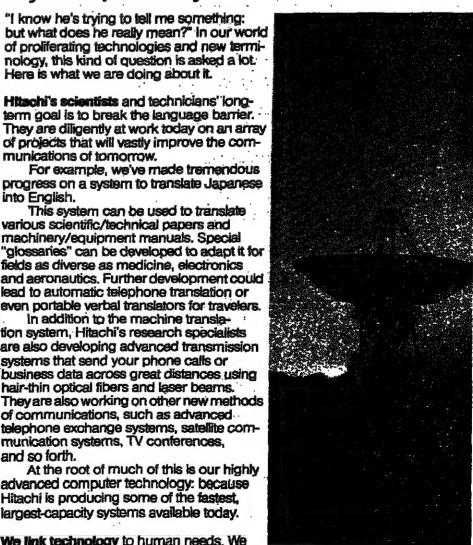


munications of tomorrow. into English.

This system can be used to translate various scientific/technical papers and machinery/equipment manuals. Special "glossaries" can be developed to adapt it for fields as diverse as medicine, electronics and aeronautics. Further development could lead to automatic telephone translation or even portable verbal translators for travelers In addition to the machine translation system, Hitachi's research specialists are also developing advanced transmission systems that send your phone calls or business data across great distances using hair-thin optical fibers and laser beams. They are also working on other new methods of communications, such as advanced telephone exchange systems, satellite communication systems, TV conferences,

and so forth. At the root of much of this is our highly advanced computer technology: because Hitachi is producing some of the fastest, largest-capacity systems available today.

We link technology to human needs. We believe that Hitachi's advanced technologies will result in systems and products that are functionally sophisticated but easy to use. Our goal in communications—and transportation, energy and consumer electronics as well-is to build products and systems that will improve the quality of life the world around.





### North American Labour aim groups seek BT exchange orders

change.

They would also be challenging Thorn-Ericsson, the joint venture of Thorn EMI of the UK and Ericsson of Sweden, which is undergoing some teething troubles in selling the Swedish company's digital exchange to BT.

NORTHERN TELECOM and American Telephone and Telegraph, which dominate the North American telecommunications equipment market, aim to supply large public telephone exchanges to British Telecom.

This would put them in competition with the joint company being formed by the General Electric Company and Plessey to rationalise the manufacturing of System X, the digital exchange. They would also be challenging Thorn-Ericsson, the joint Company and Plessey of System X, the digital exchange order for BTs Freephone service.

Since the amouncement of the company and plessey to rationalise the manufacturing of System X, the digital exchange order for BTs Freephone service.

Since the announcement of Since the announcement of the GEC-Plessey merger, a debate has started in BT about whether it will need a third supplier to maintain competitive pressure on GEC-Plessey and Thorn-Ericsson, although BT officials remain rejuctant to introduce a third syshapse term.

STC has been a major contractor on this project, designed to give the City a high capacity telephone network. Phase three is due to be finalised next spring, possibly in March, when it is anticipated STC will try to include the Northern Telecom exchange in its proposals.

Northern believes that If the bid is successful, it could then offer BT an exchange for the main public network. Mr Edmund Fitzgerald, Northern Te-Thorn-Ericsson won only a few extension orders in the labest batch. This follows its failure to win any contracts at all in the previous batch awarded in June.

### in election 'was to be second'

be second?

By Peter Rickiel, Political Editor

LABOUR'S main advertising which is necessary to the conference alleged by the water of a Labour MPs, have been delighted by the included the Campaign and and prefer to the first objective during the general election campaign had been to come second and to preligate the Alliance to a poor third place—

All and the Young Communist Perty and the Young Communist League.

They were all equally contended the Campaign Group represents a which is colleagues is where to go the which included the Campaign Group represents a which is colleagues is where to go the which included the Campaign and the Young Communist Perty and the Young Communist League.

They were all equally conference alleged by which is colleagues is where to go the which included the Campaign and the Young Communist League.

They were all equally conference alleged by which is colleagues is where to go the poor the poor

This was to be achieved by keeping the Labour vote solid by emphasising social issues.
Labour advisers and strategists claimed that the party had achieved its aim.

Frustrated left wing recalls radical spirit

NEARLY 2,000 left wing activists left Chesterfield last night. Chesterfield the rallying point convinced that, to coin a second-hand political slogan, their the final fight back.

The conference sponsors, the Revolutionary Communist Party and the late, lamented the rallying point tionary Communist Party and Liverpool councillors.

Contemporary heroes were also well represented, with Mr.

The were all equally considered to go with the result of the socialist struggle, with Militant Tendency, the Revolutionary Communist Party and Liverpool councillors.

The problem for Mr Benn and the late, lamented Liverpool councillors.

The problem for Mr Benn and the late, lamented Liverpool councillors.

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The problem for Mr Benn and the late, lamented Liverpool councillors.

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Michael Cassell on the revolutionary mood among socialists meeting in Chesterfield

### Owen ally criticises Liberals over defence policy

Northern Telecom, a Canadian reluctant to introduce a third exchange technology into the network.

This was to be achieved by keeping the Labour vote solid by emphasising social issues.

Labour advisers and strategists claimed that the party had achieved its aim.

There was general agreement among the strategists of all parties at the conference that the party is widened decisive factors were the generated to win significant orders in the latest round of exchange orders are in the latest conference that the party had achieved its aim.

There was general agreement are the conference that the decisive factors were the general prosperity, the Tories' recovery of momentum in autumn lates are in the Labour vote solid by emphasising social issues.

There was general agreement are the conference that the party had achieved its aim.

There was general agreement are conference that the conference that party leader, criticising the Lib-erals' approach to defence and urging a firm commitment to the Trident missile system.

Before Hoskyns

The pamphlet, by Mr John Cartwright, MP for Woolwich, has been published not by the party, but as the third in a series of discussion papers by the Campaign for Social Democracy, which opposes a merger with the Liberals.

Mr Cartwright, a defence spe
At the weekend the strongly pro-merger and anti-Owenite weeks to divert membership income from the mational secretary, is a group proved a motion arguing that "any organisation or group that issues policy statements in the name of the SDP but independently of the constitutional policy-making processes of the party." However, no such step is likely.

### Higher pay award levels predicted

level of pay awards in Britain all point to a further rise in the level of settlements over the next few months, according to a study published today.

The study by Phillips & Drew, the City securities house, forecasts that for the fourth quarter of this year deals in manufacturing are likely to increase

turing are likely to increase employment and a parallel rise from 5% per cent to 6 per cent. in the number of vacancies is In services, settlements are likely to strengthen employers' likely to rise from 6% per cent need to retain and attract staff; 7 per cent. a further factor pointing to This in turn would imply an higher-settlements.

This in turn would imply an acceleration in the pace of average earnings growth - which includes overtime, bonus and other elements in overall pay - to 5% per cent in manufacturing and to 8 per cent across the economy as a whole.

Economists at Phillips & Drew believe that the stock market collapse is unlikely to have any short-term impact on wage bargaining, although it might point to lower settlements.

Wage deals will also be influenced by the sharp increase in the level of pay awards in the public sector over the past year. Earnings growth for public sector over the past year. Earnings growth for public sector over the past year. Earnings growth for public sector over the past year. Earnings growth for public sector over the past year. Earnings growth for public sector over the past year. Earnings growth for public sector over the past year. Earnings growth for public sector over the past year.

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slewer economic growth.

For the next few months the mands. For 1987 as a whole study says a number of key factors in the wage bargaining promore than 20 per cent.

### Company finance options 'distorted by tax rules'

TAX RULES are distorting companies' financing decisions, the Confederation of British Industry says in a letter to Mr Nigel Lawson, Chancellor of the Exchequer, published today.

A series of out-dated rules inhibits corporate treasurers from using new financial instruments to tap capital markets, it ments to tap capital markets, it

chequer, published today.

A series of out-dated rules inhibits corporate treasurers from using new financial instruments to tap capital markets, it says. Abolishing these rules is one of the steps it calls for in its annual submission on technical amendments for next year's Budget.

The CBI also complains strongly about the backdating of some tax rules in this year's Finance Bill, and about the growing tendency to make tax law by statutory instrument, which does not need the approval of Parliament, rather than primary legislation, which does.

The first of these developments potentially renders much tax planning pointless, while the second reduces taxpayers' ability to influence develop-



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### DTI investigates takeover defence mounted for AE

THE CONTROVERSIAL takeover defence mounted last year on behalf of AE, the motor components group, is being investigated by the Department of Trade and Industry.

The investigation affects at least Hill Samuel, AE's merchant bank adviser in the ultimately unsuccessful effort to remain the control of the section o

mately unsuccessful effort to resist takeover by Turner & ry into the Guinness bid for Dis-Newall, the engineering and building materials group.

AE narrowly escaped take-over by T&N in September 1986 but succumbed three months later when a second bid was alcontempt.

lowed by the Takeover Panel which ruled that Hill Samuel and Cazenove, AE's stockbroker, should have disclosed indicates that make the contempt.

The DTI conducts about 100 Section 447 inquiryles each year.

The opening of an inquiry indicates that make the contempt indicates that the contempt indicates that the contempt indicates that the contempt indicates that the contempt indicates the contempt. demnity agreements with other shareholders which tied up a critical 7.2 per cent stake in AE during the first offer.

The opening of an inquiry indicates that new information has been received since Mr Paul Channon, then Secretary during the first offer.

Sir John Collyear, former.

Sir John Collyear, former.

chairman of AE, said yesterday:

I am aware that they had made
some inquiries. He confirmed
that he had been approached by that he had been approached by

DTI investigators.

The Takeover Panel, however, is believed to have not been involved in the latest investigation, which was revealed in documents relating to the agreed acquisition of Hill Samuel

At T&N's annual meeting in May, Sir Francis Tombs, chairman, forcefully rejected demands for a DTI investigation, denying that anything suspicious had taken place other than the matter already dealt with by the panel.

**Economic** regional divide 'to deepen'

THE NORTH-SOUTH economic gap will be even more marked by the year 2000 and the population shift from urban to rural areas will contin-Group itself by TSB, the bank-

nan to rural areas will continue according to a report, published today by the Cambridge Econometrics Group.

The report divides the country into regions where economic growth is forecast to be swift.

East Anglie the continued - East Anglia, the south-west and the East Midlands; slow-the south-east, Yorkthe south-east, York-shire/Humberside, West Mid-lands, Scotland and Wales; and in decline - Northern Ireland, the north and the north-west. Act, the investigators do not have wide-ranging powers to question witnesses on pain of

The forecast assumes national growth of 2 per cent per amnum, a continuation of Conservative policies into the early 1990s and unchanged tax levels

werall.
Within the overall growth the disparities between the regions which have been increasingly apparent over the last decade will accentuate. One marked change in re-gional fortunes will be the West Midlands, which is fore-cast to rejoin the southern re-gion as part of the prosperous half of the country.

files as part or the prospectors half of the country. Regional Economic Pros-pects: Cambridge Econometrics and the Northern Ireland Economic Research Centre. Full re-port £750; short version £30.

FT/MIL RESEARCH GROUP POLL ON BIG BANG

REPORTS BY BARRY RILEY

# Fund managers say change was worthwhile

Has the number of brokers you regularly deal with changed since Big Bang? Increased 62% Stayed the same 33%.

Has your volume of dealing in foreign equities through London firms increased?

Are you dealing to a greater or lesser extent with American firms? Greater 43%

Decreased 8% Stayed the same 57% Don't deal/ no comment 9%

Lesser 3% No change 43% Don't deal/no comment 35%

Does your firm currently employ in-house dealers?

Lesser

reater

To change

60 or more

AN OVERWHELMING majority of professional fund managers same managers polled in 1996, believe that Big Bang was and interviewed another 26 for worthwhile, according to an the first time.

opinion poll commissioned by Some three-fifths of the rethe Financial Times and conspondents claim they deal regu-

Some 93 per say that their dealing costs have been reduced, and more than half also consider that the speed of response and liquidity of the market have improved and access to foreign securities has become foreign securities has become againgt that the speed of response and liquidity of the market have improved and access to foreign securities has become againgt that their surprisingly, there seems to surprisingly. There seems to surprisingly, there seems to surprisingly, there seems to surprisingly. There seems to surprisingly, there seems to surprisingly.

foreign securities has become easier.

On the other hand, 59 per cent of respondents say that their internal costs have been raised by Big Bang, and about half are troubled by the increased presence of conflicts of interest within the London stock market, although only about one in 10 has changed a broking relationship as a result of such conflicts.

The polities a follow-up to a say that less than 10 per cent of per cent of the tondy about one in 10 has changed a broking relationship as a result of such conflicts.

The poll is a follow-up to a say that less than 10 per cent of similar exercise conducted their dealings are conducted on shortly before Big Bang. The fieldwork for this year's survey more than 50 per cent of their was conducted between October 5 and October 13.

Senior fund managers were contacted in 120 different companies including 41 insurance expected.

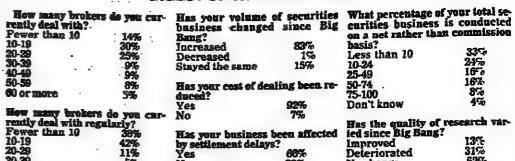
panies, including 41 insurance expected.

companies, 20 investment A year ago a third of fund trusts, 35 pension fund managers polled expected to era, 15 investment advisory transact 50 per cent of their companies and 9 unit trust deals on a net basis after Big

opinion poll commissioned by the Financial Times and conducted by Mil. Research Group. Big Bang, which took place one year ago tomorrow, is approved of by 76 per cent of the 120 fund managers polled. Only 13 per cent judge that the radical changes have not been justified.

Some three-firths of the respondents claim they deal regularly with fewer brokers than they deal regularly with fewer brokers than sonly partially confirmed by compations with last year's results. The proportion of funds dealing regularly with less than 20 broking firms has risen only from 76 to 80 per cent.

DIGEST OF THE MAIN FINDINGS



33% 24% 16% 16% Less than 10 50-74 75-100 Has the quality of research var-ied since Big Bang?

Improved Deteriorated

What gains have been achieved through Big Bang?
Lower cost of dealing 93%
Improved speed of response 58%
Greater liquidity of the market 53%
Improved access to foreign securities Figher quality of service 25% What losses have been experienced since Big Bang? Increased internal costs
Problems from conflicts of interest Loss of personal contact

Impact of excessive regulation Lower quality of investment research Overall, was Big Bang worthwhile? Yes 76% No 13% Don't know 11%

Why was it warthwhile?
Reduction in dealing costs
Re-established London's international role
It was "essential" or "inevitable"
Brokers forced to compete more effectively

THE RESPONDENTS Type of fund management organisation Pension funds

Value of funds managed by each organisation

DKB ECONOMIC REPORT

At T&N's annual meeting in

### Japanese economy now on a course of steady recovery

Reduction in trade balance surplus

Japan's net exports on a real substantially, due to decreasing exports and increasing imports which has had a deflationary impact on the economy. In addition to the changes in the volume of trade, the trade surphis has been steadily reduced, dropping from US\$9.6 billion in January to US\$7.7 billion in July (seasonally idjusted) as a result of the waning influence of the J-curve effect and increasing oil imports. In looking at the merchandise trade surplus on a custom clearance basis, the gap has been dropping below the correspond-ing figures of last year since May, with the surplus shrinking by US\$12 billion in July on a yearto-year basis. A breakdown of the July figure shows that al-though two factors encouraged

export prices by US\$1.8 billion and the decline in the value of gold imports by US\$0.8 billion), the collective effect of three other factors worked to reduce it. These were; (1) the decreese in export volume by US\$0.8 bil-lion, (2) the increase in oil imports by US\$0.5, and (3) the increase in the importation of other goods and commodities other than gold and oil by US\$2.5

Although the drop in overseas demand tended to depress business growth, the recovery of Jaing further progress led by active domestic demand in the household, industrial, and government

Factors Contributing to Trade surplus (in \$ billion: customs basis)

pisying favorable growth, Housthe center of the growth is tinuing to show remarkable exn due to low interest rates and the support of government policy. New housing starts from April to July 1987 rose by 24.9% on a year-to-year basis, reaching an annual level of 1.63 million houses. This represents the highest level since 1973, the last period to show strong growth, when 1.91 million houses were

The expansion of housing inrestment, with a subsequent rise n the sales of furniture and household electrical appliances. is seen to be a factor for the growth in personal consumption. Other factors which are felt to have influenced consumption include an increase in consumer confidence and a rise in stock

industrial growth shows signs of improvement

The position of non-manufact turers has become farmer while the manufacturing sector is showing signs of picking up, sig-naling a general trend of iment for the entire industrial acector.

Economy Survey of Major Industries" surveyed by the Bank of Japan in August, sales and earnings improved for the non-ma ufacturers related to personal consumption, housing, and pub-Business Outlook D.L for Major industries (the ratio of companies expressing a favorable outlook to those expressing a non-favorable outlook) has shown continuing improvement for non-manufacturing indus tries since May (8% in May, 12% in August and 13% (est.), in De-

reported by manufacturers in affected by progress in inven-

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13	Non- Manufacturing	_	7	7	6	8	( A)	13		

Source 80.) "Shert-term Economic Survey of Principal Enterprise (August 1987)"

D.I. for manufacturers remained negative, there were signs of imin August, and -18% (est.) in

Against this background, ma-chinery orders (excluding electric power and ship-building). ped 1.1% in January to March on a year-to-year basis but turned upward for an increase of 2.2% in April to June, indicating considerable recovery in future facility

Steady improvement in the business environment including the sovernment

With private domestic de recovery, fiscal expenditures lent additional support to the overall economic recovery, paticularly through advance excution of public investments. Following the approval of the public works projects increased in May to July by 8.0% over the previous year. Along with the emergency economic package, stments are expected to play an even more active role ulating the econo Thus, the economy seems to be

prices in monetary policy

ment becomes clearer, charact can already be seen in commo rose 0.9% over the previous months of increase from June Although temporary factors for the rise were seen to include the drop in the yen exchange rate, adoption of summer rates for ing prices for construction materials, reflecting the expansion of tributed to the rise in commodity

In addition to increasing commodity prices, the money supply has also grown by a double digit rate since May, raising concern from the Bank of Japan that in-

flation may also rise to some ex-tent. Since the yen is expected to continue to rise for the foreseable future, while wage increases are predicted to remain relatively stable, there appears to be less danger of inflation. How ever, the upward trend in prices cially in construction materials as a result of additional public investment. Therefore, the Bank of Japan will maintain careful policies with special empha However, a sharp pull back on the monetary reins could result mand and a rapid appreciation

The monetary policy seems to be entering a very difficult

Talk it over with DKB. The international bank that listens.



The next DKB monthly report will appear Nov. 26.

### Less fun and more volatility among the main drawbacks

"IT WAS essential to interna-tionalise," said an institutional Big Bang we would have lost our business to Tokyo or New York," said another.

By a large margin, London's fund managers believe that the introduction of the Stock Ex-change's new trading system on

"It has increased efficiency and broken up what was essen-tially a cartel," said one of the respondents to MIL Research respondents to MIL Research Group's survey. He added that although there was nostalgia tally satisfied. The dealing cost regarded with some pearance of its paternalism and old school tie attitudes were not to be regretted.

The dealing cost regarded with some stally satisfied. The dealing cost regarded with some tally satisfied ally satisfied ally satisfied. The dealing cost regarded with some regarded with some regarded with some tally satisfied. The dealing cost regarded with some tally satisfied ally satisfied. The dealing cost regarded with some stally satisfied. The dealing cost regarded with some regarded with some stall share with some stall share with some stall share to see the feeling they have seen influenced, one institutions, although not all are to see the feeling they have seen influenced, one institutions and stally satisfied. The dealing cost regarded with some regarded with some regarded with some regarded with some set the feeling they have seen influenced, one institutions although the active set to see the feeling they have seen influenced, one institutions although the set to see the feeling they have seen influenced, one institutions although the set to see the feeling they have seen influenced. These top analysis who have seen influenced, one institutions although the set to see the feeling they have seen influenced. These top analysis who have seen influenced, one institutions and the set to see the feeling they have seen influenced. The seen influenced in the second seen influenced, one institutions are seen influenced. The seen influenced in the second seen influenced. The seen influenced in the second seen inf

ing, it is just happening too holder. To a large extent the quickly, observed a fund man-private investor is being priced

the generation of unnecessary turnover in the market place. One of the few outright opponents of Big Bang had the pre-science to comment, a few days before the market cracked on October 19, about the potential

Big Bang has led to a volatile market. There is a liquidity problem and if the market weakened it could snowball

weakened it could snowball down, he warned.

The frantic dealing activity was also criticised as irrelevant to institutional needs by a strategically-minded manager. To annot see what the average institutional investor has gained except in terms of commission. As long-term investors we only wish to acquire long-term stakes in businesses, he said.

been detected, but this is not a universal opinion.

Several fund managers have universal opinion.

come. The Americans, in particular, are welcomed for their enthusiasm and for building up good teams of analysts. But the natives are not always friendly to the Americana. They are incompetent and inef-

They are incompetent and inefficient and totally alien. They are a menace in the City," commented one respondent.

Big Bang's favourable impact on the cost of dealing is widely acknowledged among the institutions, although not all are totally satisfied. The dealing cost is lovered but the actual space.

private investor is being priced out of the game, asssuming he can even find a broker who can deal with him," was one view.

Elsewhere, problems have arisen on paperwork. A few institutions have escaped, but others have been forced to take avoiding action. It has made me cautious of dealing with certain brokers," a manager said. Views on brokers' investment

research appear mixed. On bal-ance, some deterioration has been detected, but this is not a

The arrival of more broking search, said a fund manager. firms from abroad is given a "All the people doing it are far general but not universal wel-

lack of experience."

Another respondent echoed this, "There are now great numbers of very inexperienced analysis about, putting forward ridiculous reasons for buying and selling shares on very short-term views." He complained that too many of the experienced analysis had been perienced analysts had been shifted into management posi-

tions.
The independence of ana-

aiysts, he said, had become very weak on fundamentals, tended to pluck figures out of the air and had generally become

"quite wildly over-optimistic." What were the gains one year after Big Bang, spart from cheaper and easier dealing? Unprompted, the managers tended to mention improved competition, better information greater internationalisa-

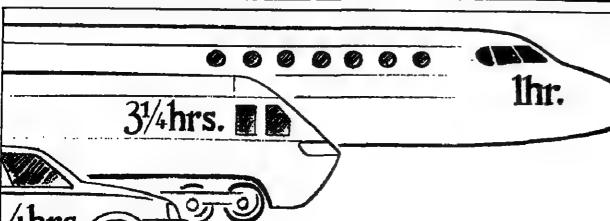
"We are able to compete on an international basis," a respon-

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Otherwise, please use the form below.

Put in Box 1 your full name and address (please use block capitals).

Applications must not be made by anyone under 18, but a parent, grandparent or guardian of a child under 18 may apply for the benefit of that child. To do this, you should put your own name in Box 1, and after your surname write "A/C" followed by the full names of the child and the child's date of birth. This does not stop you from making a single application

If you wish to apply jointly with another adult, see

Put in Box 2 (in figures) the number of shares for which you are applying. You may only apply for one of the numbers of shares set out below. Applications for any other number of shares will be rejected.

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600	2720	£1,980
700	£840	£2,310
800	£960	±2,640
900	£1,080	\$2,970
1,000	£1,200	£3,300
1,500	£1,800	£4,950
2,000	\$2,400	£6,600
2,500	£3,000	28,250
8,000	\$3,600	29,900
3,500	£4,200	£11,550
4,000	\$4,800	£13,200
4,500	£5,400	£14,860
5,000	£6,000	£18,500

Multiples of

1,000 shares

5,000 shares

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over 100,000 shares. 50,000 shares

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If you wish to receive the share bonus and you are an eligible individual or applying on behalf of an eligible individual, write "Yes" in

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Read the declaration in Bux 5, then sign and date the form in Box 5.

The application form may be signed by someone else on your behalf if he is duly authorised to do so, An agent must implose the power of attorney appointing him (or a copy certified by a solicitor), unless he is a Selling Agent, Financial Intermediary or U.K. Clearing Bank (as referred to in Section 10 of the full prospectus) and states the capacity in which he aigns.

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If you do not have a cheque account, you man obtain a cheque from your building society or a bank branch, in which case you should write your full name(s) and address on the back of the cheque.

An application may be accompanied by a cheque drawn by someone other than the applicant(s), but any moneys returned will be sent by cheque crossed "Not Negotiable A/C Payes Only" in favour of the

on of the table above, a) the exact amount you	applicant(s).								
Payment is in three instalments. The second instalment of 105p per share is payable by 3.00 p.m. on 30th August, 1988 and the final instalment of 105p per share by 3.00 p.m. on 27th April, 1989. A reminder about the second and final instalments will be sent to your registered address before they become due.  JOINT APPLICANTS You may apply jointly people, provided each a or over. They should each a or over. They should each a or over. They should read Note 5 before signing this box.									
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Kevin Brown looks at the record of a deregulated transport industry

### Cost and benefit of a bus revolution

woke up to find themselves at the centre of a revolution in

public transport.
For the first time in 50 years, the industry was opened up to anyone who wanted to run a ser-vice - provided they could satisly safety regulations, which re-maloud unchanged.

The 1985 Transport Act, which provided for this sweeping deregulation, blew a blast of 
cold air through a system in 
which existing operators had 
been protected from competition being the control of the control tion by tightly-controlled local

authority licensing. However, 12 months after the event it is still hard to see whether the fresh air has stimu-lated a fitter and leaner industry, or simply given it a cold.
As might be expected, Mr
David Mitchell, Transport Minister, has no such doubts. He said yesterday that deregula-tion was so successful that he envisaged it being extended to

ence had borne out Government centage of routes - probably predictions that competition much more than 3 per cent. would stimulate new services, cut costs and reduce taxpayer subsidies. The evidence, he subsidies. The evidence, he said, was in the statistics: bus

operators' costs have been re-duced by the pressures of competition: Greater Manchester
Buses, for instance, has reported costs per mile down 23.5 per cent, while miles per employee

Mr Mitchell's confidence is not echoed by opponents of derare up 23 per cent.

are up 23 per cent.

The Government also says that competition has stimulated a flood of new operators and prompted extensive innovation, such as the introduction of minibuses.



David Mitchell: deregulation has been a success

These latter claims do not bear too much inspection, how-ever: only 442 new operators have entered the industry, com-London, the only area excluded, by the early 1990s.

Mr Mitchell claimed experience had borne out Government centage of routes - probably not

Ministers will not admit it publicly, but they are known to be disappointed that the pri-vate-sector share of the market mileage up 12 per cent overall is up only five percentage and 17 per cent in rural areas; subsidy bills down by £40m a year.

There is also evidence that double deck buses towards

minibuses was well under way before the 1985 Act took effect,

Mr Mitchell's confidence is said recently that customers high protection. The Public Transport Campaign Group, for instance, which represents a group of Labour-run county and district councils, says deregulation has general manager of Cardiff metallics. caused chaos, confusion and cuts in services.

elsewhere there is less choice there was sufficient custom to and a lower quality of service," justify them, he says.

not get to the shops; to parents who struggle to get their chil-dren to school, or to women who

of the community.

They claim that evening, Sunday and rural services have been cut almost everywhere; that consumers often cannot keep up with frequent timetable changes; and that reduced fares for children and pensioners have disappeared in some

But there is independent evidence that others are true: Mr Ralph Roberts, chief executive In the long run, the Govern-

Mr Alex Waugh, the group's doubt that off-peak services chairman, points to the Government's own figures for the low of 41 years in the bus industry.

ment's own figures for the low of 41 years in the out industry, he says this is the culmination dence that opening up the industry to market forces has been a failure.

"Competition is restricted to profit grabbing on routes that were already well served, while the says this is the culmination of a trend that started in the early 1950s.

If it appears to be speeding up, this is because too many services were kept in place by licensing constraints long after the says this is the culmination.

In a study of deregulation de-Even these statistics hide the livered to the South Wales sectrue social cost of deregulation - tion of the Chartered Institute the cost to pensioners who can- of Transport, Mr Smith conjustified in many of its claims for deregulation.

do not dare travel at night, fearing long waits in dark streets for a bus that may never come."

Mr Waugh's comments reflect by keeping operators on their a bus that may never come.

Mr Waugh's comments reflect the thrust of complaints by opponents of the new system, which centre on the effect of changes in bus routing and timing on the most helpless section of the community and closure of unneeded de-pots. But there was unlikely to be a reversal of the declining

be a reversal of the declining trend of bus usage over the past three decades.

A little over 20 years ago, Mrs Barbara Castle, as Labour Transport Secretary, shook up the public transport world by declaring that there was no place in the bus industry for profits.

Some of these criticisms conflict with government figures, which are based on research by the independent Transport Road Research Laboratory.

Hostility to that approach lies at the root of the Government's determination to succeed with deregulation - described by Mr Paul Channon, the Transport

in the long run, the Govern-ment may come to regret its high profile promotion of the benefits of this revolution be-cause it may have raised hopes of a dramatic improvement in services which cannot be ful-

For the moment, however, it ropolitan buses, now a business consultant, says there is no made things any worse.

### Voluntary pension arrangement begins

FROM TODAY employees will through an in-house AVC are require the pension scheme trustees to monitor the ultimate amount of benefit to prevent overlanding and to provide the erfunding and to provide the requirement and the pension benefits by paying example.

However, employees will not have a great variety of choice. The introduction of FSAVCs has caused considerable debate. Employers and company nies will be marketing FSAVCs today, including Allied Dunbar Assurance, Legal and General save found the administration required by the Inland Revenue Assurance, Royal Life and Equiliarly controversial.

Although an FSAVC to a sample of trustee is still left with an onerous administration burden and considerable responsibility. It is not certain that employers have a legal responsibility to provide information. There are, as yet, no penalties in the rules for trustees who fail to provide information when an although an FSAVC to a sample of trustee is still left with an onerous administration burden and considerable responsibility.

It is not certain that employers have a legal responsibility to provide information. There are, as yet, no penalties in the rules for trustees who fail to provide information when an although an FSAVC to a sample of trustee is still left with an onerous administration to provide information when an area of the provide information to provide information when an area of the provide information when an area of the provide information to provide information when an area of the provide information to provide information area.

tra contributions.

The Free Standing Additional Voluntary Contributions dium employers with a company with information scheme, first announced by Mr Nigel Lawson, Chancellor of the Exchequer, in this year's Budget, comes into operation.

However, employees will not have a great warder and arrangement until next April.

The introduction of Example amount of benefit to prevent overfunding and to provide the life company with information so it can monitor contributions. Although the Revenue has modified its original proposals on monitoring benefits, the trustee is still left with an onergous administration burden and the provide the life company with information so it can monitor contributions. Although the Revenue has modified its original proposals on monitoring benefits, the trustee is still left with an onergous administration burden and the provide the life company with information so it can monitor contributions. Although the Revenue has modified its original proposals on monitoring benefits, the trustee is still left with an onergous administration burden and the provide the life company with information so it can monitor contributions. Although the Revenue has modified its original proposals on monitoring benefits, the trustee is still left with an onergous administration burden and the provide the life company with information so it can monitor contributions. Although the Revenue has modified its original proposals on monitoring benefits, the information so it can monitor contributions.

gest player in the AVC market.

Tangement between the employ.

Until now, employees could ee and the life company or othboost their pensions only er provider, the Revenue rules a partner in Bacon and Wood-

comply with the rules. He told clients they should

first provide their own informa-tion forms to send to life companies and avoid having to deal with a variety of different forms from different life companies. Second, he advised them, where appropriate, to improve

make it more attractive, paying particular attention to investment performance.

Finally, he urged company pension schemes to communicate to employees the benefits of an in-house AVC, highlighting the lower expenses com-pared with an FSAVC.

# Standard & Chartered

#### **Base Rate**

On and after 26th October, 1987 Standard Chartered Bank's Base Rate for lending is being decreased from 10.00% to 9.50%

Standard Chartered Bank Head Office 38 Bishopsgate, London EC2N 4DE Tel. 01-280 7500 Telex 885951

Coutts & Co. announce that their Base Rate is reduced from 10.00% to 9.50% per annum with effect from the 26th October, 1987 until further notice.

All facilities (including regulated consumer credit agreements with a rate linked to Courts Base Rate will be varied according

The Deposit Rates on monies subject to seven days' notice of withdrawal are as follows:-

4.75% per annum Gross\* 3.375% per annum Net (the Gross Equivalent of which is 4.62% per annum to a basic rate tax payer).

Rates are subject to variation and interest is paid half-yearly in June and December. "Not ordinarily available to individuals who are U.K. residents

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#### FINANCIAL TIMES

**EUROPE'S BUSINESS NEWSPAPER** 

### Base Rate Change

With effect from close of business Monday, 26th October, 1987 Co-operative Bank **Base Rate changes** from 10.00% p.a. to 9.50% p.a.

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**顕THE CO-OPERATIVE BANK** 

JOHN LLOYD

THE FEVERED events of the past week have shown that socialism, or at least the econo ic instruments to which its democratic form adheres, is not dead and is probably not slavable. They have also shown

cialists, to the left and right, have sensibly despaired of hav-ing much influence on the state and are looking else-

where for a role. The obvious point to make in this regard is that by acting to pump liquidity into a system suddenly in chaos, the US Fed-eral Reserve showed it simply could not accept the cons quences of an unregulated market. Would that governments and supra-national in-stitutions, like the European Community (EC), had been as rapidly and impressively exercised over 12 per cent unemployment in western Europe.
For many observers, the

message is that the crashing market will enforce a more inments which currently profess laissez faire policies. So the correction will not just have been to overvalued stocks, but also to overvalued market prin-ciples. It is one thing to note that the market's superior allo-cative efficiency is being re-cognised all over the industri-alised world, including the state recipility part. It is anothstate socialist part. It is another to push that recognition to the point where the market pre-empts basic political decision-making.

# In search of a new internationale

corollary, to opposition in the national arena. From being Yet this possibly selsmic shift is taking place when the left in Europe lacks much of an among the more insular and narrow of major European par-ties, the British Labour Party alternative perspective. The one thing the left - the inside left, at any rate - did not say in is now looking about eagerly, almost wildly, to find interna-tional support and examples which it can follow. the past week was that this was the collapse of capitalism, and that it was therefore time to sing the prisoners' chorns from Fidelio. On the contrary, This is put particularly

starkly in a paper, entitled an Alternative to Trade Wars, or-ganised by a coalition of trade unions and leftist organisait was time for a sober shaking of heads. Mr John Smith, the of heads. Mr John Smith, the shadow Chanceilor and Mr Tony Blair, Labour's spokesman on the City, echoed leading City figures in their calls for more international management, regulated capital flows and managed exchange rates. As they were doing so, Mr Gerald Kaufman, the shadow Poreign Secretary, was tions. The paper, produced for a conference next month, is by Mr Terry Ward, of Cambridge University's department of ap-plied economics, and Mrs Frances Morrell, until recently leader of the Inner London Education Authority and for-merly political adviser to Mr ow Foreign Secretary, was making an equally statesman-like call for a United Nations force to take over patrol duties Tony Benn, when he was Industry, and then Energy, Secretary in the 1974-79 Labour

The opening paragraphs of this paper, meant as the key-note to the conference, say: Nation-state socialists, all over western Europe, have tried to resist the implications

of the internationalisation of capital. They have tried to maintain separate national economies which they could, after electoral success, manafter electoral success, manage and plan. Some have pursued the objectives of centralised planning 1945-style. Others have developed a free-market alternative. All have based their programme on the assumption of national economic management, All have last.

The Ruropean economy is almost unified: the old fron-tiers, in economic terms, are scarcely visible. What few divius remain are scheduled for abolition. The intellectual ba-sis for nation-state socialism, which Labour has supported since 1918, has disappeared. Labour's future is European."

The intention of the conference, "to consider, with fellow socialists from Europe, whether we can concert a plan to make the European economy work in the interests of all Eu-ropeans", is certainly over-am-bitious in the short run. But in

the longer run, the left parties in Europe will have to develop a response to the accelerating plans, under EC Commissioner Lord Cockfield's tutelage, to sweep away the remaining bar-riers to trade and unify the market. From the evidence of fraternal discussions in Stras-burg and Brussels, the consen-sus from France, West Ger-many and Italy leans towards ceptance of the trend while eking to ensure that social and welfare rights are

This is an important turn-around: dramatised by the fact that Mrs Morrell once served as adviser to a man who saw as auviser to a man who saw the Common Market as the block on any kind of national decision-making and - as the unreformable agent of multi-national capital - on any kind of socialist advance. Mrs Mor-rell's political trajectory has been more open and while been more open and public than most, but it is far from unique among the party's soft left leadership. Labour is try-

the past weekend at Chester-field is that he has confirmed himself as bentifier of the far left. The Chesterfield confer-ence was nolsy, fractions and few new ideas emerged. The main focus of attack was "new realism", a code for Yahamah realism", a code for Labour's leadership. Many of those at-tending, and causing most disruption, were from Trotskyist

tentially an important one-was a call for local and regional action: a recognition, shared with the hated new realists. that the central state is out of bounds for the time being. As the leadership looks for an international stance, so the left opposition looks for local "red bases" it can win and hold against the tide of monetarist" lues, which Mr Benn sees as having created a consensus among the British political elite, left and right.

But even among the funda-nentalists, there is a recognition that the British nation

state is too small a focus for effective action. A crucial passage in the lengthy introductory paper to the Chesterfield conference reads: The determination of capital to complete the EC internal market, so that there will be the same rules on, say, subsidies or the move-ment of capital in all parts of the EC, creates the space for demands for an alternative 'social Europe'. Why not launch a campaign in Britain for West German-level dole pay, or Dutch pensions, or Danish so-cial security payments? Around these and other issues there are numerous opportuni-ties for alliances of radicals, socialists and labour move-ment militants in the unions, local authorities and specific campaigning groups."

As the left 'joins' Europe so the free marketeers find the need to pull on levers put there need to pull on levers put there decades ago by the left. Perhaps in international co-ordination and management, the left can find a germ of the big idea it will need to construct to counter Thatcherism in the nation state.

John Lloyd is editor of the New Statesman

## Not the place for Piggott

IT IS HARD to deny the public's visceral interest in the three-year prison sentence passed on Lester Piggott for defrauding sive scale over many years. Whether he merited such con-dign punishment there must be many who feel that he has both suffered rough justice and been

suffered rough justice and been at the receiving end of the unequal distribution of justice.

The Inland Revenue, unlike protectors of the public purse who guard against fraudulent claims for social security benefit, do not ordinarily regard it as their duty to use the criminal process against tax defaulters. process against tax defaulters. Their prime aim is to fill the coffers of the state with the taxes legally imposed and due. and to apply administrative penalties in the form of treble the amount overdue. The fraud-ulent taxpayer can expect to es-cape the clutches of the criminal law, and hence the adverse publicity attaching to court appearances, by quietly putting up his hand. The worst that can ppen is a considerable decimation of any acquired fortune.



Piggott's crime, in the eyes of his prosecutors, was to resist the coaxing of the tax inspector, by declining to reveal all once it was clear that the authorities thad uncovered his fraud. There offender who cheats the state is no doubt that his persistent refusal to disclose all his defalcations was the one thing that got up the judge's nose and sealed his fate.

resolve was his major charac-teristic on the turf. In the end resolve was his major characteristic on the turf. In the end he has apparently paid over all the tax owed, and there is more to come. Unlike the drug smuggler or the corporate fraudster, he had not successfully salted away his untaxed profits, out of reach of the grasping taxman. Of course, Piggott is distinguishable in that he was not stealing other people's money, but trying to deny to the state the due ing to deny to the state the due trouic tagging for burglars and proportion of his presumably the like, what about electroni-

Where does this leave the sentencing policy of our penal system? It was Mr Justice Farquharson who was berated by the media (including this newstand) we know who lie in gaol is that the wall is strong. Strong walls paper, but not this columnist) and cell locks seem crudely in-for not having sent Mr Geoffrey appropriate instruments for Collier to prison last July for a dealing with a national sporting major infraction of insider hero, however fiscally venal his dealing. If prison was the aposition of ence was.

propriate desert for Mr Collier there could be no possible com-plaint at the judge's order that Piggott should go to prison. Mr Collier's offence had only recently been made a criminal one by statute. Moreover it does one by statute. Moreover it does not necessarily involve dishonesty, although that concept seems to have become misshapen in the hands of the judiciary in the case of Mr Keith Best (doubtless, multiple applications will be very welcome in the case of the British Petroleum offer, instead of bringing down upon multiple applicants the wrath of the law).

the wrath of the law.

Yet what useful public purpose is served by Piggott's sentence?

Given the precepts of contemporary penal philosophy in this country - punishment is meant, among other things, to act as a deterrent on those who might seek to emulate the malefactor—there was no possibility that there was no possibility that Piggott could avoid an immediate. substential term of imprisonment. But are any taxpayers likely to be halted in their defrauding inclinations because of what has happened to the country's former leading jock-ey? That the sentence is meant to deter cannot be doubted. That it does deter is highly questionable, and is merely an article of faith among judges

and lawyers.

The trouble is that imprisonment is still seen as the core of the penal system. It is the instinctive penalty that the courts offending. Whenever they can do so, for some sound reason or in mercy, the courts are pre-pared to mitigate the harshness of imprisonment, usually by suspending all or part of the sentence. But this can be done only for sentences of two years or less. Where, however, the

But must imprisonment be the sanction for the non-violent offender who cheats the state and does not harm directly any individual? Can we not think of a better way of registering our displeasure? The alternative is to create a

It is difficult to understand kind of second-class citizenry Piggott's obstinacy, other than through the fact that stubborn been demonstrated to be socially unacceptable, although not lawfully acquired gains. We are his victims, but only very indirectly.

cally imposed restrictions on the free movement of frauds-ters? Imprisonment is much too

#### INTERVIEW

FOR JOHN REED, chairman of Citicorp, there was little doubt what last week's Wall Street crash meant: the beat buying opportunity he was likely to see for some time. On Tuesday morning, the day after the Dow fell more than 500 points, he got his board's approval to spend \$250m on 5m Citicorp shares and boost his company's earnings per share. By mid-week he was snapping up stock at \$45 apiece - not bad considering he had made a rights issue at \$58 only a month before.

It was a bold stroke, typical of FOR JOHN REED, chairman of

in the Gulf.

The reflexes of the left are changing: its internationalism is becoming not simply an abstract article of faith with lit-

tle practical meaning, but a re-al alternative, or at least a

It was a bold stroke, typical of the man who in May rocked the banking industry with his decision to make a \$3bn reserve against his Third World loans. Such actions have given Mr Such actions have given Mr Reed the reputation of banking's iconoclast - a worthy heir to the traditions of America's largest and most aggressive bank.

But the image and the man do But the image and the man do not easily match up. Mr Reed is a youthful 48-year-old who likes to sprawl across armehairs and use phrases like "hey guys." The tough side of him owes more to his passion for order and progress than to any obvious delight in wielding power. "I take my responsibilities very seriously," he says with disarming earnestness, as if this might at some ness, as if this might at some time have been in doubt.

His huge Park Avenue office in mid-town Manhattan is carefully designed to reinforce the

1939: Born. (Educated Washington

1969: Appointed Citicorp's youngest Senior Vice President. 1970: Named Executive Vice President.

1974: Undertook special assignment to start up Citicorp's consumer banking group.

1980: Became Senior Executive Vice President 1964: Elected Chairman and Chief

'open' management style he has introduced at Citicorp since he took over three years ago. At one end, glass doors open on an indoor patio surrrounded by the offices of his dozen top executives. Chairs and tall plants

leagues can stroll and talk informally.

This retreat was certainly a haven of calm last week during the chaos on Wall Street. And Mr Reed was keen to dwell on the bright side. "I think there has been a general feeling here has been a general feeling here has been a general feeling here has been a general feeling of that there was a decoupling of the financial markets from the financial markets from the underlying economy, and that there would have to be an adjustment of about 20 to 25 per scribes himself as an interpolacent. So when it happened an tor-someone who works out the cent. So when it happened an instant market consensus was formed that said 'Hey, prices are going to go down like this.' It

sudden collapse? Was it Wash-ington's fault for failing to get to grips with the budget deficit? "No, I don't think so, though I am not a fan of the deficit. I think it was the uptick in inter-est rates. It became very clear when US interest rates got up when US interest rates got up into 10 per cent. All of a sudden the trade-off between debt and equity needed a little shifting."

Mr Reed expects the fall to knock about two percentage points off US growth in the next 12 months, which he thinks

might otherwise have been about 3-4 per cent. People will feel less wealthy," he says. But with luck, the shock should trigger action in Washington to bring federal spending under control. All this should also create greater room for manoeuvre by the monetary authorities and take pressure off interest rates. That, in turn, will make life eas-ier for US corporations and banks, and Third World countries grappling with their debt

In fact, the crash underlined the wisdom of Mr Reed's deci-sion to strengthen Citicorp with sion to strengthen Chicorp with his \$3bn provision. "I feel very good about that," he says. "It has given us a degree of flexibility we did not have before." His approach to the provision is typical of a man who describes himself as "a very task-oriented kind of a guy" who constantly draws up lists of things to do and measures his progress "an and measures his progress "an inch a day."

PERSONAL FILE

inch a day."

The Third World was on his list for 1987. He confesses it was not a subject he knew much about (he came up through Citicorp's consumer banking side). He read voraciously about the MF, about previous debt crises. Joined Citicorp as operations analyst and strategic of that I had to somehow get it belind us otherwise it would be a consumer banking side. become a time-consuming prob lem. It was very clear to me that we had not provided appropri-ately for that risk. I did think we were eventually going to return to a normal situation, but clear-ly the market did not believe us. We were sort of stymied really. So I made the reserve because it seemed to me to be the right thing to do. There wasn't much more than that It wasn't that I

Many people have seen in Mr Reed's action an implicit criti-cism of his predecessor. Mr Walter Wriston, who was driven by a desire to see Citicorp's the offices of his dozen top ex-ecutives. Chairs and tall plants Mr Reed is sensitive to this, and create a garden atmosphere prefers to talk of a contrast in where Mr Reed and his col-leagues can stroll and talk in-the same fundamental ideas.

for-someone who works out the best way to get from here to there - rather than an extrapo-lator - someone who extends was almost as if ten people had got into a room and agreed to it.

"One of the great surprises for all of us was that it was well idea of what I want the place to contained - in the equities markets only. The money and capital markets were smooth as silk. So were the foreign exchange market in the free world. I want markets." But what caused this



David Lascelles talks to John Reed, one of banking's iconoclasts

banking side, which he sees accounting for 50-60 per cent of its total business, compared to under half now. He even predicts that Citicorp will have 70-100 branches in Japan, a market viewed as a virtually impensivable thicket by most other banks. Retail banking, he says, "is a wonderful franchise because of the quality of the business and the deposit base it gives you." Citicorp has two customer bases at the moment: international companies, and some 25m retail customers, many of them holders of Citicorp credit cards.

corp credit cards.

Mr Reed wants to add a third group: the investors who will buy the products created by his Mr Reed wants to add a third group: the investors who will buy the products created by his evolving investment banking division. The big items on Mr Reed's list for 1888 are to strengthen the investment banking division, and enlarge Citicorp's share of the corporate banking business outside banking division, and enlarge Citicorp's share of the corporate banking business outside the US. "We are horribly underrepresented in Europe," he says. Much of Citicorp's growth, be predicts, will have to come from acquisitions.

But will Citicorp's future not be dogged by the Third World

and they will cease to be a bur-den on the banking industry."
What of the regulatory con-straints which inhibit the ex-pansion of banks in the US? One reaction to the market crash was that it would set back ef-

you look at other big banks like Barclays and Deutsche Bank, they're heavily tilted geographically. We are not. We are much more evenly divided between more evenly divided between markets, and we have a particular attraction to companies who deal globally."

A key part of that stratagem is to build up Citicorp's retail banking side, which he sees accounting for 50-60 per cent of its some of them now fail

> The rigours of managing Citi-corp have forced Mr Reed to husband his time carefully, de-spite his efforts to preserve informality on the executive floor. was that it would set back erforts to reform the Glass-Steagall Act, which was passed in
> the wake of the 1929 crash to so as to devote more mental enprevent banks owning corporate securities. Mr Reed rejects
> that view. "We already have had
> major regulatory reforms," he of the time acquiring the infor-

When I'm gone I'm gone. No one calls me at home or at night without good reason, and I don't call people then either. I could live without reading a newspalive without reading a newspa-per for two weeks and survive very well." The previous even-ing, he said, he had put on his jeans and tried to help one of his children do science home-work, but he was baffied by the equations. He relaxes by playing golf and reading history and science books "nover for and science books never fic-tion. Would he recommend banking as a career? If you have any instinct for it, it's a fun business. It's changing a lot.



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#### **APPOINTMENTS**

### Five-year chairmanship at BRB

Mr David Ingman has been appointed chairman of the BRITISH WATERWAYS BOARD for a period of five years. Dr Alan Robertson, who has been acting chairman since Sir Leslie Dinavian Bank GROUP. He also becomes managing director of all its subsidiary companies. Mr Grad Lowtin has been appointed a director of the SCAN. Dinavian Bank GROUP. He also becomes managing director of all its subsidiary companies. Mr Grad Lowtin has been appointed managing trustee (director. He is chairman of F-International Group.

Mr Brian Long, managing director of the SCAN. Dinavian Bank GROUP. He is chairman of F-International Group.

Mr Brian Long, managing director of all its subsidiary companies. Mr Grad Lowtin has been appointed managing trustee (director. He is chairman of F-International Group.

Mr Brian Long, managing director of all its subsidiary companies. Mr Grad Lowtin has been appointed general manager. Mr becomes managing director. He is chairman of F-International Group.

Mr Brian Long, managing director of all its subsidiary companies. Mr Grad Lowtin has been appointed manager. Mr Brian Long, managing director of all its subsidiary companies. Mr Grad Lowtin has been appointed manager. Mr Brian Long, managing director. He is chairman of F-International Group.

Mr Brian Long, managing director. He is chairman of F-International Group.

Mr Brian Long, managing director of all its subsidiary companies. Mr Grad Lowtin has been appointed manager. Mr Brian Long, managing director of all its subsidiary companies. Mr Grad Lowtin has been appointed manager. Mr Brian Long, managing director of all its subsidiary companies. Mr Grad Lowtin has been appointed manager. Mr Brian Long, managing director of all its subsidiary companies. Mr Grad Lowtin has been appointed manager. Mr Brian Long, managing director of all its subsidiary companies. Mr Grad Lowtin has been appointed manager. Mr Brian Long, managing director of all its subsidiary companies. Mr Grad Lowtin has been appointed manager. Mr Brian Long, managing director o

Mr Ray Box has been appointed managing director of AUTOLO-GIC EUROPE INC., St. Albans. He succeeds Mr George Wood, who is now chairman of parent company Volt Information Sciences Inc.'s European operations.

Ms Caroline Oliphant has joined the board of W. & F.C. BONHAM and becomes director of the pictures department. She was manager and principal auctioneer of the watercolours department.

Mr Derek Nuttail has been appointed to the board of OLD-HAM CROMPTON BATTERIES as finance director.

Mr Neville Bowles has been appointed to the main board of EASI-LIFT. He was head of its building division.

newly-created post. He was with Pedigree Petfoods.

Mr Nerman Penny (British Tele-com) has been appointed chair-man of council of the INSTITU-TION OF ELECTRICAL AND Mr Andrew Maclean has been

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Mr Ken Lever has been appointed to the newly-created post of finance director of CORTON BEACH. He was with Arthur Andersen.

THE LONDON INVESTMENT TRUST has appointed Mr J. Michael Middlemass as chief executive officer. He was managing director of Transatlantic Holdings. Mr John Botts has been elected non-executive deputy

Mr Richard Crick, Mr Tim Martin and Mr Richard Ramssy are joining BARCLAYS DE ZOETE WEDD early in the New Year as directors in its corporate finance department.

LONDON FORFAITING COMPANY has appointed Mr Raphael Pretectile as an associate director. He was director in charge of forfaiting at Hungarinance department. LONDON FORFAITING COM-

PEAT MARWICK MCLINTOCK has appointed Mr Peter Crutchett as head of pensions consultancy services. He joins from Sedgwicks.

Mr Stephen King has been appointed director, group financial control, for INCHCAPE. He will have specific responsibility for strengthening the links between group headquarters and

services. He joins from Sedgwicks.

CITICORP INSURANCE BROKERS has appointed Mr Bed Carbery as chairman and managing director of the UK retail division. He was commercial director with Hogg Robinson.

Mr Christopher Keeling will become chairman, and Mr Charles Yeldham is appointed managing director of FENCHURCH UNDERWRITING AGENCIES on November 9. On that date Mr Geoffrey Knight, chairman of Fenchurch Insurance Holdings (a member of the Guinness Feachurch Insurance Holdings (a member of Hunter Saphin, a newly-created post. He was with

newly-created post. He was with Pedigree Petfoods.

Mr Boag Hollier has been appointed administration director of UNIVERSITY MEDICAL & GENERAL, wholly-owned subto the board of R.P. MARTEN.

Mr Norman Penny (British Telescom) has been appointed chair.

Services.

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**EXECUTIVE SEARCH** 

remains managing director of the operating subsidiary, Holt

HILL SAMUEL & CO., has appointed the following members of the corporate finance department to the board: Mr Stephen Aulsebrook, Mr Christopher Baker, Mr Peter Bucks, Mr Reger Perrin and Mr Eric Stolart.

Mr Graham Curds, Mr David Harris and Mr Robert Perry have been appointed to the board of N.M. ROTHSCHILD & SONS. Mr Hank Tuten, managing Rothschild Australia, has been appointed to the board of N.M. Rothschild & Sons as a non-executive director.

With the exception of Mr R.R.St.J. Barkshire, Mr J. Reeve and the Earl of Carrick, all members of the board of MER-CANTILE HOUSE HOLDINGS CANTILE HOUSE HOLDINGS have resigned Mr I.H. Came, Mr P. Hyeers, Mr C.G.R. Cary-Elwes and Mr A. Gary Klesch have joined the board. The company is now part of British & Commonwealth Holding.

#### Raison joins board

Mr Timethy Raison has been appointed vice-chairman of the board of the BRITISH COUN-

CHASE INVESTMENT BANK
has appointed Mr Alexander
Duma to the management team
in the corporate finance department. He was a director of Barclays de Zoete Wedd.

Mr Nigel Barak has joined BRENT CHEMICALS as corporate development manager.

ARELSCOT GROUP has appointed Mr Andrew hvin as group finance director. He held a similar position with Domino Printing Sciences. Mr Michael Winand has resigned as finance director.

AL INSURANCE He also Mr Brian Long, managing director of all its subsidiary companies. Mr Grald Lowthin has been appointed general manager. Mr John Payne and Mr Kelth Gud. Soggin, chairman, will also become a second property of the substance of come managing director.

geon become assistant general Mr John Parker has been appointed to the board of HOLT LLOYD INTERNATIONAL He remains managing director of Control the control of the control managing director of Control
Data in South Africa. Mr John
Marsh becomes director sales.
He was with the Harris Corporation, Florida.

Mr David Thomas, group mar-keting director of the AUTOMO-BILE ASSOCIATION, has been elected an executive member of the AA committee.

Mr S. Christopher Birks has been appointed financial con-troller international of PLEX-US COMPUTERS, Swindon. He was with Newbury Data Recording.

Mr David Hindle has joined the main board of CONSOLIDATED TERN INVESTMENTS and has been appointed chief executive of Tern Building Group. He joins from Wimpey Construction UK where he was a regional distance.

BRITISH GAS has appointed Mr David Hough as manager, en-ergy policy department.

Mr S.M. Ingram has been appointed an associate director of LLOYD THOMPSON,

Mr Paul W. Dalton has been ap-pointed technical director of VOLUMATIC, Coventry, a Hal-ma subsidiary. He was techni-

Mr Tony Carey has joined the board of ST. GEORGE, which is jointly owned by The Berkeley Group and Speyhawk. He was technical manager of Barratt Central London.

Mr Robbie Barns has been appointed managing director of NFC DISTRIBUTION GROUP, part of the National Freight Consortium. He replaces Mr Ros Irons, who has joined sister company British Road Services as group managing director.

TITMUSS SAINER & WEBB has appointed Professor John Adams of Queen Mary College, London, and chief examiner of the Law Society, as director of training and education.

director.

Mr Christopher Barrass has been promoted to the board of DANIEL J. EDELMAN as director of the corporate division.

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THE BEST CONNECTIONS IN THE WORLD MEAN NOTHING IF AN AIRLINE FORGETS THE HEMIAN ONE

## British airlines climb into a patch of turbulence

proposed merger of British Airways and British Caledonian is mounting as the November 6 target date for the report from the Monopolies and Mergers Commission looms just less

than two weeks away.

This pressure is not aimed at the Commission - after the original submissions it is no longer open to such lobbying, and anyway its report is probably largely written by now,
It is directed more at MPs and

the Government in a bid to ensure that whichever way the decision goes, each side gets something out of it.

the UK airline industry is be-coming increasingly jittery. The two sides in the battle, BA/BCal airlines, are united in only one thing - that there should be as httle delay as possible, not only by the Commission in getting its report to Lord Young, the Secretary for Trade, but also by Lord Young in deciding in turn what to do with it.

Views on the likely outcome are evenly divided. The BA/BCal camp believes the Commission will recommend the merger. However, it recognises that the Commission may urge some safeguards to meet the smaller airlines fears of auticompetitive behaviour from the

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greatly enlarged BA, especially chief executive of BA, indicate

cept that situation, for it be-lieves that, despite the hostility of the smaller airlines, there would still be many opportunities for their expansion. These would extend even to taking over some of those routes where BA and BCal already fly in competition - such as in Western Europe and on longer-hauls to Hong Kong, Tokyo and Los An-

Indeed, one major indepenomething out of it.

As the deadline draws closer, the UK airline industry is beoming increasingly littery. The wo sides in the battle, BA/BCal took already flown by BA and the hostile independent. and the hostile independent BCal. Virgin Atlantic has apairlines, are united in only one plied for Scandinavian routes and also wants to fly on some of the BA/BCai long-range routes, such as to Los Angeles.

BA does not like to talk publicly about what it would do if the Commission rejected the merger. But privately it argues that such a decision could in turn be over-ruled by the Secretary for Trade, and implies that it would truth a behicip into that it would try to achieve just that,

BA is more relaxed than BCal about what would happen if the merger bid fails. Recent statements by Sir Colin Marshall,

at Gatwick airport, where hither that BA is set on a course of exercise BA has had only a small presence.

BA would be prepared to ac
BA would be prepared to ac-

Sir Colin told the Chartered Institute of Transport recently that "some of our British competitors claim we are too big. but we look at some our international competitors and feel very strongly we are too small.

with 17m passengers a year, it ranks as only number nine in the list of the Western World's biggest airlines. Number one is the US complomerate Texas Air, five times the size of BA and with more than 85.5m. passengers a year. Even if it takes over BCal, BA will still be only ninth, with about 19.4m passengers a year. It is not only the growing pow-

er of the big US "mega-carriers" in international markets, especially across the North Atlantic, that concerns BA and is forcing it to think of expansion. It argues that many other European, Far Eastern and Asian airlines are also expanding and

moving into markets upon which BA relies for much of its It points that, for example, on the London-Sydney route alone there are no less than 15 other airlines, each of which, by put-ting together traffic rights be-

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tween London and its home cap-Sydney, can legitimately fly end-to-end London-Sydney traffic in competition with BA.

BA also argues that of the to-tal market of 34.5m international scheduled passengers flying to and from the UK every year. some 57 per cent are carried by foreign airlines, with BA carry-ing 33 per cent, British Caledonian 5 per cent and other UK airlines the rest.

On charters, BA claims the balance is weighed more heavily against it. Out of a total market of 22.1m passengers a year, BA, BCal and their own charter subsidiaries collectively ac-count for 16 per cent, and for-eign airlines 19 per cent, with other UK airlines taking 65 per cent of the market.

BA uses these figures to dismiss the claims made by charter operators at Gatwick that the bigger BA presence there after the merger would result in them being squeezed out. BA could undoubtedly sur-

vive failure of the merger plan. The big question is, could BCal? Its financial position is weak, it has heavy new aircraft equipment bills for Airbuses and its ability to survive alone in ar increasingly competitive envi

Its best solution would proba

October 21, 1847

and it is known to have been discussing such a move with foreign airlines before the BA bid

emerged. BCal's problem is that no one is likely to offer a comparable price with BA's £237m - which, in the light of the recent col-lapse of share prices, is now effectively worth about £170m.

So far, BCal has resisted the approaches of International Leisure Group, run by Mr. Har-ry Goodman, which is prepared to offer more than £100m for to offer more than £100m for BCal. The latter did discuss a link with Mr Goodman last year, but the proposal fell through af-ter some weeks of talking. If the BA deal also falls through, BCal might have to reconsider its at-

titude to Mr. Goodman.
In any event, the other inde-pendent airlines remain unconvinced by what they see as pos-turing by BA and BCal designed to achieve a result that is not just desirable for BA but essen-tizi for BCal.

Some believe that anything would be better for the UK industry as a whole than a BA takeover of BCal - even another airline, either UK or even foreign-based, acquiring all or

part of its shares.

In their own evidence to the Commission, the independents have argued strongly that if the merger is permitted they must have the strongest possible safeguards to protect their interests.

### ACCOUNTANCY

Publication date November 20 1987 Advertisement copy date November 6 1987

The Financial Times proposes to publish this survey on the above date

A number of areas will be covered including:

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### Inspirational "small" bangs

particularly good time to remind ourselves that not all the best bangs are the big ones.
Today "Small is Beautiful" is
often thought of as the wishful
thinking of the 1960s, but it
does indeed still have the ring

At the little gallery off London's Marylebone High Street—the 9H Gallery at 26 Cramer Street, London, W1 there is an inspiring small exhibition that gives rise to confident hopes about the future of architecture in Britain. Called Four London Architects, it shows some recent work of Chipperfield Associates, Rick Mather Architects, Eric Parry Architects, and Stanton and Williams.

The exhibition lasts until November 15 and a visit there will show that the long-awaited will show that the long-awaited fresh wind is blowing through London, bringing not devastatonoon, bringing not devasta-tion but inspiration. That inspiration for all these four young practices is the recent much-despised Modern Move-ment. They see the virtues in rational, almost classical design. Inspired by real geniuses, like young practices is the recent much-despised Modern Movement. They see the virtues in rational, almost classical design. Inspired by real geniuses, like Lou Khan and the much earlier Adolf Loos, they, too, see virtue in the perfect mixture of formal spaces and rich materials.

Each firm shows three principle achemes and some projects. There is considerable variety but, apart from Rick Mather's teaching and research buildings for the University of East Anglia, the work is on a small scale.

David Chipperfield has

small scale. David Chipperfield has David Chipperfield has worked chiefly as a designer of

sells, it demonstrates the art of restraint: as the architect points out, Miyake clothes are a distillation of tradition, which would also be a good descrip-tion of the design of the shop.

Starting from the materials, making simple geometric forms —there is nothing complicated or unnecessary here. Portland stone, slate, timber and marble are the materials, and the raised platforms and clear spaces suggest the spirit of ancient Japanese architecture rather than imitating the sub-

Chipperfield is also working on a mews off the Grays Inn Road, which is being converted into premises for a firm of graphic designers. The designers are on the first floor, so their offices are approached by a stair that runs between a curved alm will and a plaster curved elm wall and a plaster wall that is scored along its

Apart from the quality of the materials and some associa-tional references (for example

Last week of all weeks was a London's Sloane Street, is the idea behind it; clients' needs internal atrium. The entrance articularly good time to rearchitecture of high fashion, are analysed, but often hall is simple, using alate for ind ourselves that not all the But like the Japanese clothes it answered in a lateral way. answered in a lateral way. Rick Mather is the oldest

architect showing with this group and so he has more sub-stantial work to display. I have already written in this column aready written in this column about his largest completed commission, the School of Education and the Climatic Research Building at the University of East Anglia. It remains an accomplished essay that adds that adds a note of wit and

His other schemes on show in this exhibition are two Chinese restaurants for the Zen restaur-ant group. Both are in London, ant group. Both are in London, and they demonstrate successfully the architects' wish to bring as much light, air, and movement into these large white rooms as possible. Water rums in a glass cascade down the entire length of one wall of the Mayfair and plants and water are prominent in the Hampstead one. Ambience is part of the secret of a good part of the secret of a good restaurant—Mather has created an original atmosphere for his Chinese clients.

Chinese clients.

Eric Parry shows one completed project and work in progress on two artists' studios, as well as fine drawings for a "Villa of the Physicists," based on the setting for the Friedrich Durrenmatt play. This temple, or is it a mausoleum, evokes both mystery and rationality in its hypothetical design.

Parry's completed arraice is

Parry's completed project is premises for graphic designers and film animators in a conversion of an old Soho building. The façade is carefully retained, and a beautiful small entrance some larger jobs in the pipeline. His "Issey Miyake Permanente," completed in 1985 in field's work always has a clear a corridor that enters a tall

the walls that look like Italian stucco. Green, yellow and burnt sienna are the palette, and the scale is modest until you reach the atrium that has a mo mental air in a relatively small space. Parry's work is romantic and beautiful in a way that has become rare. I look forward to Stanton and Williams are no

both architects. Paul Williams is a designer best known for his elegance to the earlier campus. exhibition work. His recent partnership with Alan Stanton, an architect from the high-tech exhibition work. an architect from the nighteen atable who worked on the Centre Pompdou, promises interest and innovation. Their work is about to be on display in a major way — they have designed the Royal Academy's big winter exhibition devoted

To display chronologically in the classical rooms of Burlington House the artistic achieve ments of the reigns of five Plantagenet kings is no mean undertaking. The tantalising preview at the 9H Gallery shows a sensitive response to the Gothic style which will suggest rather than imitate it.

rather than imitate it.

In the work of all these architects the past is no longer something to be afraid of—instead it is something to be assimilated and distilled. The recent past has lost its terror and is confronted straight on—not embroidered on the surface, as has been the less successful aspect of post-modern architecture. There is real integrity in the work shown, and any slight the work shown, and any slight danger of preclosity will die away as the larger commissions come rolling in.





The same actors-Gerald Murphy (top) and Patrick Bailey-in "Deathwatch" left) and "The Maids"

#### Deathwatch, The Maids/The Pit

#### Michael Coveney

Genet's two plays, dating from the late 1940s, are not a double bill but they do irradiate comparable aspects of sexual possession through power games and erotic play. In fine new translations by David Rudkin, these intelligently sensuous co-productions by the actor Gerard Murphy and the designer Ultrat last rescue the RSC's Genet season from the inanition of a drab Balcony and a cancelled irab Balcony and a cancelled

In Deathwatch (Haute Surreillance), the condemned mur-terer, Green Eyes, goads his ellow inmate, Lefranc, into strangling a young, pretty, petty thief, Mikkel, who shares the cell. The rituals of swagger and manipulation prefigure exactly the more familiar manoeuvres of The Moids (Les Bonnes), in which the sister maids, Claire and Solange, plot the death of their mistress in a bonder of flowers mistress in boudoir of flowers, mirrors

has but to recall the dismal accounts of Swen Lake this

On Saturday night Haltink, with his orchestra in immacu-late form, produced readings of

Three actors adopt, as it were, the parallel roles, thus highlighting the crotic playground side of Genet's theatrical imagination, His prison, as much as his bedroom, is a closed creva where male friendships fight for survival. The cast assemble to blasts of the Mozart Requiem, and moments of high pressure and this prison. I have spies everythe Mozart Requiem, and his own environment—"I am moments of high pressure and this prison. I have spies every-swishily 1950s mannequin in death are underpinned with where." With his docker's bulk blonde wig and waisted steel callas in full flow. But the proceedings are not otherwise indicated with stock response to Murphy's transvestism is a tactical ploy, not a camp indulg-gerous underworld, and the siashed jeans, leather belts and begrimed vests of the prisoners

Gerard Murphy is Green Eyes
and Solange. He makes of each
a towering, uncompromised invincible. The criminal and the
Murphy

triumphal charade - playing

These partners enact an engrossing vocal duel, Mr Murphy impulsive, pent-up and liable to burst the dam, Mr Anderson metallic, cold, correc-Anderson metallic, coid, corrective. Their boyish plaything is Patrick Bailey, a spur to jealousy in Deathwatch, an invitation to murder as a swishily 1950s mannequin in blonde wig and waisted steel blue suit in The Maids.

Here is poetic evidence of a finty, detailed homoerotic street life and culture, as real in Genet's own The Thief's assumes a double dimension: the criminal dreamer is partner to the servant avenger. The staging of Deathwatch is a particular revelation, Mr these dramas are formalised addends—as on Lou Reed's finical, pathetic Lefranc, who misreads his opportunity for plays us out of the Barbican the compensates by sipping in death as the siashed jeans, leather belts and begrimed vests of the prisoners are as much a uniform as the staging of Deathwatch is a particular revelation, Mr therefore the same goes for Miles Anderson's market partner and the staging of Deathwatch is a particular revelation, Mr therefore the prisoners are as much a uniform as the staging of Deathwatch is a particular revelation, Mr therefore the prisoners are as much a uniform as the staging of Deathwatch is a particular revelation, Mr therefore the prisoners are as much a uniform as the staging of Deathwatch is a particular revelation, Mr therefore the prisoners are as much a uniform as the staging of Deathwatch is a particular revelation, Mr therefore the servence and the prisoners are as much a uniform as the staging of Deathwatch is a particular revelation, Mr therefore the servence and the prisoners are as much as a particular revelation, Mr therefore the prisoners are as much as a particular revelation, Mr therefore the prisoners are as much a particular revelation, Mr therefore the prisoners are as much as a particular revelation, Mr therefore the prisoners are as much as a particular revelation, Mr therefore the prisoners are as much as a particular revelation, Mr therefore the prisoners are as much as a particular revelation, Mr therefore the prisoners are as much as a particular revelation, Mr therefore the prisoners are as much as a particular revelation, Mr therefore the prisoners are as much as a particular revelation, Mr therefore the prisoners are as much as a particular revelation the prisoners are as much as a particular

Mason's great creation and

already sure in conveying the

sacrificial inevitability of the

#### The Living Room/Royalty

#### Michael Covency

The Living Room by Graham and here was a new theatrical freene was that author's first play reviewed of the seeing triangle theme with the secontric domestic care of two old aunts and a crippled uncle, a Catholic priest. Here there was a new theatrical the eccentric domestic care of two old aunts and a crippled uncle, a Catholic priest. Here there was a new theatrical the eccentric domestic care of two old aunts and a crippled uncle, a Catholic priest. Here there was a new theatrical the eccentric domestic care of two old aunts and a crippled uncle, a Catholic priest. Here there was a new theatrical the eccentric domestic care of two old aunts and a crippled uncle, a Catholic priest. Here the family to have married out of the Catholic faith — and morals and adultery, the challenge to faith of the newly fashionable Freudian paychology lectures. Greene was that author's first play and the first play reviewed in these pages. On April 18, 1953, the FT published Derek Granger's sensitive and evocative notice, evidence of the newspaper's "widening range of interests."

The chorus of approval elsewhere included such various voices as J. W. Lambert and Kenneth Tynan. The season had been a notably duli one,

logy.

The show also launched Dorothy Tutin in the role of Rose Pemberton, the young girl who has been thrown on

The priest, as you would expect, is a failure, the young girl doomed. Their attraction for each other is underlined not so much in Bryan Forbes's production, nor in the quality of playing between Katherine Schlesinger and Paul Daneman. as in the entracte recording of the lush theme from Mahler's Death in Venice Symphony.

The edginess of the first scene between Rose and the lecturer, Michael Dennis, is simply not sustained thereafter. This may have something to do with lines like "I loved you the night of my mother's funeral," or "I'm afraid of losing you in a world of old people." But it has more, I feel, to do with the quality of Peter Blyth's reading of Michael, a genuinely smitten refugee from a decent but loveless marriage. Nobody else matches Mr Blythe's line in subtle anguish and cruel pre-

The revival has nothing new or inspired to say about the play but, even worse, gets it all wrong on its own terms. The living room is where nobody dies—" an ominously unclaimed dies—"an ominously unclaimed tomb," wrote Mr Granger—and is, in fact, a converted third floor bedroom, incongruously furnished. Carl Tome's green Greene room is a conventional, airy reception room of spacious

This territory is ruled by one ferocious aunt and her timid sister-shadow. The whole point of their exchange of strength-

paralleled in the recognition of hopelessness between the girl and the priest—is lost in the playing. Dulcie Gray potters jovially around in slippers as 78-year-old Teresa, but Judy Campbell, for all her dignified heavity and croakily exotic vocal mannerium finds senile present. mannerism, finds senile tyranny and repressive cruelty entirely beyond her present capacity.

The full terror of being

The full terror of being a Catholic is something nobody on the Royalty's stage has begun to understand. I grant that the question itself may sound musty today. But it has to be absorbed for the play to work. Rose's shocking cry when confronted by Michael's distraught wife (Jennie Linden) in the second act is: "You can stay his wife; I only want to be his mistress." Miss Schlesinger, in a curiously frizzed Afro hair-do that is itself disastrously anachronistic, evinces a wide-eyed nastiness that bodes everyone's destruc-tion but her own. Her despera-tion is a callous indulgence, not a symptom of the tragic fate Greene indicates.

The invasion of innocence by experience has many reson-ances in Greeneland, and it was elever of Mr Granger to muggest that the onstage sextet may be haunted by a spectral seventh character, "Mr Greene himself wrestling up there with the powers of evil like a be-devilled St Antony in a Grunewald painting."

I prefer now to see this fas-

The Firebird, Scenes de ballet and The Rite of Spring that were exemplary as views of the scores and as partners for danceinating piece as a prophetic drawing room (living room, lounge, what you will) proto-type for much subsequent ter-ritorial and recriminatory ing (not always the same thing, but gloriously so under Haitink's baton). ritorial and recriminatory modern English stage comedy. At the Royalty, though, they seem to be doing it out of reverence. The occasion lacks sparkle and persuasion and probably sends the play back to the library for good.

### Stravinsky triple bill/Covent Garden

#### Clement Crisp

The Royal Ballet's new Kastchey's realm and the fiash travinsky triple bill at Covent of the Firebird across the Stravinsky triple bill at Covent Garden is a grandly memorable experience. Even more memor-

Garden is a grandly memorable experience. Even more memorable since the credit for the success of the evening owes so much to the conducting of first scene did not detract from Bernard Haitink and the playing of the Opera House orchestra. The symbiotic relationship between dance in performance the score in the dance of the and its score is all too preix. and its score is all too rarely comprehended nowadays—one lude a welcome sense of dynamic purpose. And, because the Royal Ballet is a musically season and contrast them with what happens when the Kirov and Bolshoy Ballets present this same work with their own orchestras, showing a true parinership of intention and sensitive ensemble, company performance was more alert, more vivid, than for many years: the power of Fokine's magical tale has rarely segmed so fresh and exciting. Anthony Dowell was the noblest of Ivans; Derek Rencher a diabolical scarab as Kastchey; and how good to see Deanne Bergsma back with the company as a

radiant Princess. With Scenes de Ballet Haitink conveyed, as in no other per-formance I recall in this theatre, ing (not always the same thing, but gloriously so under Haitink's baton). Firshind seemed an entirely new experience, both aurally and visually. The shimmer of Dowson, was admirably responsive to the elegance of the store, balanced, and the clarity of music's style. This is one of texture, exactly reflected the light and shade of Ivan's adventures, the mysteries of form like a Faberge jewel and

so it seemed on this occasion.

The closing of Rite was as shythmically bold and nuanced in orchestral sonority as one could wish—the musicians deserve every praise. There has been beneficial editing of the tribal make-up worn by the The evening was, in sum, one to treasure, not least as proof that the Royal Ballet, with the dancers (more uniform, less colourfully daubed) and the best musical support, can look like a company restored to youthful energy of MacMillan's

the vitality and coherence of the company's electric performance. Fions Chadwick made her debut as the Chosen One, a reading worthy of Monica performance or the gramme, with Bernard Haitink conducting: I recommend them unreservedly to lovers of fine debut as the Chosen One, a reading worthy of Monica fine dancing.

Association of British Jazz Musicians formed

Derformances

concessions.

National Jazz Month, has seen the foundation of a new organisation, the Association of British Jazz Musicians. The ABJM, set up after discussions between Jazz Services director Chris Hodgkins and trumpeter Digby Fairweather is the first of its kind in Britain. Its aims include the promotion of jazz in every area of British cultural activity (including education), working with the Musicians' Union to improve conditions for

British jazz musicians and the provision of a forum for exchanging views and express-

October, Britain's first ing corporate opinion.

(ational Jazz Month, has seen The ABJM will publish a he foundation of a new organity of the Association of the Asso assembly-cum-convention offer other members' privileges including a "National Jazz Card" offering countrywide

#### Royal College of Art exhibition

The Royal College of Art's exhibition 150 Years of British Engineering Achievement will be opened by Prince Philip on November 24.

### Arts Guide

LONDON

Trio Revel: Haydu, Ravel and Schu-bert. Wigmore Hall (935 2141). (Mon). Nash Ensemble conducted by Lionel

Friend with Sarah Walker, mezzo soprano, Debussy, Ravel and Faure, Wigmore Hall (Wed). Lynn Harrell, cello, Bach and Hinde-

mith, Wigmore Hall (Thur).

Music

Paul Daneman and Katharine Schlesinger

#### Music/Monday. Opens and Saliet/Tusslay. Theelet/ Wednesday. Exhibitions/Thursday. A salective guide to

#### all the Arts appears each Friday

## ano: Bach (Man). Salle Pleyel (4563 0798). English Chamber Orchestra, Mitsuko Uchida, piano: Mozart (Mon). TMP-Chatelet (4233 4444).

Orchestre National de France conduct-ed by R. Barshai, Jaremy Menuhin, piano: Beethoven (Mon). Theatra des Champs Elysées (4720 3837). Les Musiciens Amoureux: Bobert Schumann (Mon). Comedia des Champs Sharing (4720 3337) Orchestro de Chambre Bernard Thomas conducted by Bernard Thomas: Vivaldi, Schubert, Circarosa, Bellini (Tue). Saint-Rock Church (Tue). (4261 9326). Orches

(4261 9326).
Drehestre de Paris conducted by Zubin
Mehta, Roger Woodward, piano:
Mesciaen, Xenakis, Mahler (Wed,
Thur). Salle Pieyel (4206 9694).
Drehestre National de France, Jeremy
Menuhin, piano, Jenn-Jacques Kaned by Matislav Rostropovich. Rostropovich 80th birthday concert.

Baldwin, piano (Mon). Théâtre de l'Attende (4742 6727).

Cochestre de Paris - Andras Schiff, pi

torow, violin, Misha Maisky, cello: Beethoven (Thur). Théétre des Champs Elysées (4720 3837).

#### dem, Concertesboow, Hartma

Haenchen conducting the Nether-lands Philharmoulc, with Frank Pa-ter Zimmermann, violin; Bartok, Tchaikovsky, Schumann (Mon).The Asko Ensemble, Schönberg Ensem-Asko Ensemble, Schönberg Ensemble and Hague Percussion Group ander Reinbert de Leeuw: Messiaan (Tue). Recital Hall: Hakan Hagegard, baritone, accompanied by Geoffrey Persons: Schumann, Richard Stemps Leeuw, Richard Stemps chard Strauss, Ives, Grieg, Sten-hammar, Sibelius (Tue). Anner Bijlsma and Hidelmi Suzuki, ba-reque cellos, with Jacques Ogg. harpsichord: Vivaldi, Bach (Thur). (71 83 45). m, Deelan. The Randisedlijk

ketterdam, Doelan. The Randisedijik Orchestra and massed choral voices led by the Rotterdam Opera Choir conducted by Piet Struijk, with Gaetano Bardini, tanor (Tue). The Asko Ensemble, Schönberg Ensem-ble and Hague Percussion Group under Beinbert de Leeue; Messioca under Reinbert de Leeuw: Messiaen (Wed). Tom Parker's The Young Amadeus, the Young Messiah, with Vicki Brown, Madeline Bell, Gordon Neville, the New London Chorale and Orchestra (Thur). Recital Hall: Lodron Sextet: Mozart (Thur).

Jarachi, Vredenburg, Bach's Hohe Masse with the choir and beroque orchestra of the Netherlands Bach Society (Wed). Recital Hall: Lodron Sextet: Mozart (Tue). Jurd van Nes, mezzo-soprano, accompanied by Gerard van Bleric Brahms, Schu-Wolf, Dvorak (Wed).

timegen, Vereeniging. Bach's Hohe Messe with the choir and baroque orchestra of the Netherlands Bach

orchestra of the Netherlands Bach Society (Tue). Anner Billama and Hideimi Suzuki, baroque cellos, with Jacques Ogg, harpsichord: Viv-aldi, Bach (Wed), (22 11 00). Irabens, Musis Sacrum. Plano recital by Naum Grubert: Schubert, Bee-thoven, (States).

#### HELF YORK

Carnegle Hall-Liege Philharmonic Pierre Burtholomee conducting, Jeffrey Siegel piano. Franck, Liszt (Mon), Orchestra of St Luke's Chris-Mont, Orchestra of St Lute's can-inph Exchenbach conducting Jesaye Norman soprens. Mozart, Haydn (Tue); Leningrad State Symphony.

Alexander Dmitriev conducting La-zar Berman piano. Weber, Shastak-ovich (Tmur). (247 7800). Chamber Music Society of Lincoln Center (Alice Tully): Pergolesi, Amy Beach, Shulmait Ran, Dvorak (Tue). Lincoln Center (362 1911). Juilland Orchestm (Avery Fisher): Paul Zukońsky conducting. Falla, Stravinsky, Mozert (Thur). Free. Lincoln Center.

Lincoln Center.

Merkin Hall (Goodman House): Prism Orchestra. Robert Black conducting, Barbara Ann Martin soprano. Schoenberg, Susan Blaustrin, Ravel (Tue): Lisa Joy Sitjar plano recital. Bach, Ravel, Beethoven, Marta Martinez, Schumson (Wed): Samuel Bartos pisaso recital. Bach, Schubert, Beethoven, Tui St. George Tucker, George Wallser (Thur). 57th w. cf Broadway (St2 5719).

Kantimusus Hall: Alice Giles harp recital. Bach, Tournier, Berio, Faurè

tal. Bach, Tournier, Berlo, Fauré Salzedo, Eberhard (Tue): Pilar Lor-

singers at the Y. Handel, Dvorak, Ghuck, Respighi, Mompou, Ohrad-ors, Granados (Wed). 1395 Lexing-ton Av. (831 8603). New York Philharmonic (Avery Fisher

October 23-29

tew York Philharmonic (Avery Fisher Hall): Erich Leinsdorf conducting, Jorge Bolet piann. Sibelius, Grieg, Borodin (Tue): Erich Leinsdorf con-ducting, Mozart, Stravinsky (Thur). Lincoln Center (874 2424). "Altharmonia Virtuosi (Town Hall): Richard Kapp conducting, Carter Brey bello. Respighi, Tchalkovsky, Visuatemps, Haydn (Tue). Abril e. of Broadway (842 1818).

#### WASHINGTON

intonal Symphony (Concert Hall): Fabio Mechetti conducting, Nicanor Zabaleta harp. Debussy, Ginastera, Dvorak (Tue): Rafael Frubbeck de Burgos conducting, Joshua Bell viol-Burgos conducting, Joshua Ball viol-in. Tchaikovsky, Respighi (Thur). Kennedy Center (254 3778). Chamber Music Society of Lincoln Center (Concert Hall): Pergolesi, Amy Beach, Shulmait Ran, Ravel (Wed). Kennedy Center (254 3778).

#### CHICAGO

Chicago Symptomy (Orchestra Hall): Pierre Boulez conducting, Debussy, Schoenberg (Thur) (485 2111).

#### TOKYO

Dietrich Fischer-Dieskun, baritone. Schumena. Suntory Hell (Mon). (505 1010). Racko Yoshino, harp. Respighi, Bach, Benie, Holliger, Albeniz, Pierne. To-kyo Bunka Kaikan Recital Hall (Mon). (237 9800).

#### Saleroom/Antony Thorncroft

#### Netsuke fanatics' field day

One of the world's greatest western culture. Last Thursday netsuke collections starts to come under the hammer at Christie's in London tomorrow. It was formed by an American. Raymond Bushell, but London is still the world centre for Landon at the collection of the collections and the collections starts to come under the hammer at Charleston of the collections starts to come under the hammer at Charleston of the collections starts to come under the hammer at Charleston of the collections starts to come under the hammer at Charleston of the collections starts to come under the hammer at Christie's sold a Cutenberg Bible, or rather a large slice of the Old Testament, for £3.2m, an auction record for a printed book.

without pockets.
The Bushell numbers around 1,800 netsuke. A third will be on long-term loan at the Los Angeles County Museum, but Christie's is dis-posing of most of the remainder

of a tiger and monkey by the 19th-century artist Masatsugu could go for £20,000. It is one of five examples by this revered figure. From the 18th century there are six netsuke by Tomo-tada and four by his pupil. Okatamo. In fact all the most collected artists are present and netsuke fanatics should have a field day. While certain lots might top £30,000 it should be from the Bushell collection for

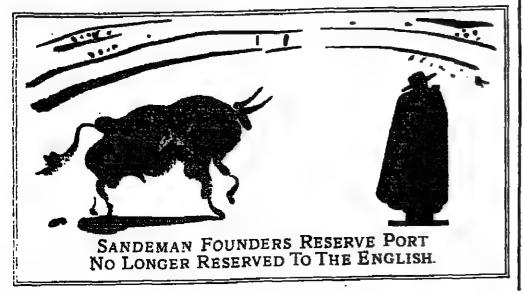
£500. tronically, relatively few of netsuke as art, and are happier with revolving propeller and capturing the great works of hinged tail rudder.

Japanese art, and netsuke are sale at Sotheby's on Thursday: a distinctive feature of this art: the George Cross medal they are the carved toggles which attached the inro, the Harrison, a BOAC stewardess container which acted as a who died while saving passenpurse to the kimpnon—partners to the carved toggles toggles to the carved toggles tog purse, to the kimono-garments gers from a blazing aircraft at Heathrow in 1968. It is only collection one of four GCs awarded to a woman and a price of up to £12,000 is expected. It is sent for sale by her father. On

as series of auctions.

Tuesday's sale contains 350 items. Many of the great names are included. An ivory national of a river of a r Africa. Its history is unknown but its provenance is certain and a price of around £6,000 is anticipated. Rosebery's, a new fine art

auction house concentrating in the middle price range, holds its first sale tomorrow evening at 3 & 4 Hardwick Street. London, the home of Blooms-bury Book Auctions. The sale possible to secure something ranges from a Queen Apne walnut lowboy which is estimated at up to £4,000 to a 1920s egg cruet in the form of a bithe buyers will be Japanese: plane which holds four egg



ethoven and Shostakovich. Barbi-

can Hall (Thur). (635 8891).

Champs Elysèes (4720 3637). Michele Lagrange recital, Dalton

Tokyo Electric

# A power to be reckoned with

Ian Rodger describes how the private utility is consolidating its position

SOME COMPANIES are lucky. Take the case of Tokyo Electric Power, the world's largest privately owned electric utility.

That rank would not have seemed possible for a company which 30 years ago was scram-bling to find funds to build power stations to drive the Tokyo area's industrial development But today TEPCO seems to be in an unbeatable position. Its operating territory is the fastest growing region in Japan and one of the wealthiest areas in the world. This provides a big boost for the company's core business, generating power and distributing it to the 13.3m households and 2.5m institu-tional customers in the Tokyo

TEPCO also has huge property holdings in the Tokyo area, which have soared in value in recent years. And it is in a privileged position - with a distribu-tion infrastructure already in place - to diversify into another fast growing utility sector, tele-

The company has been quick to take advantage of the govern-ment's liberalisation of the tele-coms sector in the past two years, and many analysts expect it will soon be a major player in that industry to

that industry too.

All this has been very good news for TEPCO's shareholders. The shares have been among the most popular in the Tokyo stock market boom of the past two years, rising from Y3,000 in

There was additional exettement last year because the company - lucky again - was able to benefit much more than other Japanese power companies from the slump in world oil prices, thanks to the use of the convoy theory by the Japanese authorities in regulating the electric power industry.

Under the convoy theory, con-ditions are set so as to enable the weakest supplier to survive or keep up with the convoy. In the Japanese electric power inity rates are set so that even the smallest utility can survive. Last year, the Japanese Gov-

ernment imposed two rate re-ductions on the companies so that customers, too, would benefit from the drop in oil prices.
But, thanks to the convoy system, the cuts were relatively modest. As a result, the companies are unusual among large Japanese companies were able to keep a consid-



erable portion of the reduction in their oil import bills. This windfall was largest for those pendence on thermal plants, and TEPCO comes top of the ta-ble in that respect.

wo years, rising from ¥3.000 in ble in that respect.

January 1986 to a peak of ¥9,420
early this year. Even in last
week's upheavals they only
eased to the ¥6,000 level.

There was additional excitement last year because the company - lucky again - was able to
profit much wors than other

profit make was a hefty 11.3

growth rate to continue, at least not until the fruits of the company's diversification begin to come through, but TEPCO will remain a centre of attention in both its industry and on the TEPCO is one of the leading

companies on the Tokyo Stock Exchange, not only because its Y8.000ba ranks it second only to Nippon Telephone and Telegraph on the market, but also because the shares are additional to the shares because the shares are widely held and traded in heavy vol-

al groups, such as Mitsul and Mitsubishi. Its largest share-bolders are the Dai-Ichi Mutual Life Insurance Company, Nip-pon Life and the Tokyo Metropolitan Government, together holding only 12 per cent of the total. On a typical trading day, more than 1m TEPCO shares change hands on the TSE.

change hands on the TSE.

Within Japan's electricity industry, TEPCO is the unquestioned leader of a group of nine quoted companies, each operating exclusively in a particular region. Together, they generate 83 per cent of Japan's electricity. The remainder comes from a few private industrial companies, such as aluminium smeltnies, such as aluminium smelt-ers, that generate their own power, and a small government-owned company, Electric Power Development Corporation (EPDC) that was set up in the 1950s to supplement the utilities' construction efforts. This regionalised, private sector structure has existed for most of this century, except for a short period of nationalisation during

Indeed, Japanese electricity industry officials are rather amused to see privatisation now becoming popular in other countries, such as the UK. (In other respects, the Japanese

the Second World War.

electric power system is an un-likely model. For example, it operates on 100 volts, different rom the world's two main standards. Also, half the country runs on 50 cycles and the other half on 60 cycles.)

The nine leading companies produced 501,400 gignwatt hours of electricity in the year ended March 31 1987. Of the nine, three, TEPCO, Kansai Electric Fower (which serves the Osaka-Kobe area) and Chubu Electric Power (Nagoya area) stand far above the rest, to-gether accounting for two thirds

tral Electric Power Council, but the grid is mainly there for emergencies and for transmitting power senameted. ting power generated by companies outside their operating ter-ritory. TEPCO, for example, has several nuclear and hydro plants located well outside the Tokyo area.

net sales to others of only 2,475 companies expect to introduce gigawatt hours in 1985, less than the new rates early next year.



two per cent of its total supply. The regulatory environment for the companies has been relatively calm. The Ministry of In-ternational Trade and Industry (MITI) has the authority to review both their capital spending plans and their tariffs, and public hearings must be held. However, communication be-tween the companies and MITI is constant, so there are rarely

Electricity tariffs are reviewed regularly, but until the oil price slump last year, had been unchanged since 1980. MITI also provides guidance to the companies on which fuels to use in their thermal plants, largely on the basis of environmental

As in France, even the devel opment of a large nuclear pro-gramme has caused very little public controversy, partly be-cause the companies and the government have gone to great lengths to reassure the public about the safety precautions they have taken. Also, the gov-ernment defuses local opposi-tion by providing extra economic aid, financed by a levy on the power companies, to regions that agree to accept them.

The last great row in the in-dustry was over the selection of a nuclear technology. In the late of the group's sales. TEPCO 1970s, when policy was being rethird.

The nine companies and EPDC manage Japan's national electricity grid through the Central Fletting Power Council but the private companies.

The regulatory environment allows the companies to be in-novative. The latest idea, which has been approved in principle by the Government, is to intro-All the companies aim to be duce variable rates (depending self-sufficient in terms of gener- on the time of day when the ating their own needs, and they power is used) for residential generally succeed. TEPCO had customers. TEPCO and other

### How Japan succeeds on a sense of obligation to others

Terry Dodsworth reviews an advocacy of Confucian principles

To PRODUCE a book such as other hand, there are assumed Taking Japan Seriously at this to be objectives to which all particular moment requires not members of the organisation only learning - and Professor subscribe, and which to some degree supercede their own pripage as well.

To PRODUCE a book such as other hand, there are assumed to be objectives to which all members of the organisation degree supercede their own pripage as well.

ment intervention in industry, and a plea for a stronger civil service. It is almost as though Mrs Thatcher had never ex-

isted. What does exist, of course, is Japan as an example of a highly successful industrialised community, and one that is still showing Mrs Thatcher's United

this is at least partly due to a social structure in Japan in which self-interest is restrained

ny law hrm and a commmunity model firm. The company law type - the Anglo-Saxon model - is one that is normally associated with the pursuit of unbridled self-interest, with a strong market orientation that is exemplified by the bargaining contract: a deal between managers who are presumed to want egers who are presumed to want the highest profits possible, and workers who are only interest-

nacy as well.

It has been composed in resolute opposition to the spirit of out in life with virtuous imthe times, replete with advocable to others and the community.

Europe and the US, on the other hand, are riddled with the Puritan notion of original sin: hence the idea that people only work for themselves and that governments ought to establish conditions that best channel these individualistic drives. In broad terms, the Confucian principles lead onto all the

showing Mrs Thatcher's of the Kingdom a thing or two in most well-known attributes of the known attributes of the list areas of manufacturing industrial system its concern for "fairness" towards the lower Professor Dore's thesis is that individuals (hence the lower his is at least partly due to a pay differentials), the belief in ocial structure in Japan in life-time employment, and the hich self-interest is restrained support for the overall organi-

which self-interest is restrained by a deeply-inculcated sense of obligation to others - the absolute opposite, as he puts it, of the rhetoric of Thatcheriam and Reaganism.

In corporate terms, he draws as particularly graphic contrast tonal rights and automatic between what he calls a company law firm and a community ability of the corporate sector to model firm. The company law agree on general objectives that is normally associated in a high-technology society: the emphasis on the individual's educational rights and automatic training on the job; and the ability of the corporate sector to model firm. The company law agree on general objectives in glercely on a day-to-day leving flercely on a day-to-day lev-It is not hard to be convinced.

like Dore, that many of these characteristics are particularly well-tuned to the type of indus-try associated with an affluent, high technology era. Efficiency in this environment means not ed in their wages.

Just wheeling out a product a la
In a community firm, on the
Ford Model T, but making sure

that quality is up to scratch having an organisation which is quick-footed enough to change products when necessary, and creating flexibility through ade-

quate training. Indeed, many Western compa nies are themselves very well aware of this. Confucius or no: it is hard to go through Dore's list-ings of the attributes of Japanese companies - lifetime employment, individual dedication to the organisation, individual commitment to education, emphasis on the customer - with out thinking of International Business Machines; or, indeed, the kind of people-oriented companies selected for the

American corporate hit parade in In Search of Excellence." But could the UK accept the kind of social engineering Dore advocates to bring its institu-tional structure closer to the Japanese model?

He would like to see a "fairer wage system arrived at through a single, annual pay round pre-ceded by detailed public dis-cussion; he is keen on the idea of a "social dividend," another fairness instrument that would establish a kind of minimum wage: he believes that long-term shareholding should through the tax structure, to en-sure more strategic corporate thinking; and he makes the by-now familiar plea for better educational standards.

It is hard to believe that this is a programme that would at-tract a glimmer of interest in

Downing Street at present.

Taking Japan Senously: A Confucion Perspective on Leading Economic Issues, by Ronald Dore.

Athlone Press. £20.

#### **Business** courses

Essential finance for managers, Berkhamsted. November 14-18. Fee: 5225. Details from the Registrar, Ashridge Management College, Berkhamsted. Herts HP4 1BR. Tel: 044224 3491 or 2311. Telex: 825434 ASHCOLG. Handling customers by phone and by letter, London. December 9. Fee: £120 + VAT (members); £140 + VAT (non-members). Details from IM Marketing Training, Moor Hall, Cookham, Maidenhead, Berks SL6 9QH. Tel: 06285 24922 ext

SL6 9QH, Tel: 06285 24922

Negotiation skills for international business, Bath, December 7-11. Fee: £580. Details from Judy Smith. The Canning School 1 Brock Street, Bath BA1 2LN. Tel: 0225 335223.

Concepts of corporate financial modelling, London. December 1-2. Fee: £300. Details from Nigel Meade, Imperial College of Science and Technology, 53 Prince's Gate, Exhibition Road, London SW7 2PG. Tel: 01-589 5111 ext 7123.

Warld telecommunications, Lonworld telecommunications, London. December 1-2. Fee: £530 + VAT. Details from Financial Times Conference Organisation, 2nd floor, 126 Jermyn

Street, London SW1Y 4UJ. Tel 01-925 2323.

Understanding business finance London, November 18-20. Fee: 2425 + VAT. Details from Monadnock International, 2 The Chapel, Royal Victoria Patriolic Building, Fitzbugh Grove, Lon-don SW18 35X. Tel: 01-871 2546.

Personal computers in strategic management, London. Decem-ber 16. Fee: £155 + VAT (perber 16. Fee: £135 + VAT (personal members £135 + VAT; corporate members £115 + VAT). Details from The Strategic Planning Society, 15 Belgrave Square, London SWIX apu. Tel: 01-235 0246.

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Application has been made to the Council of The International Stock Exchange for each further tranche of stock to be admitted to the Official

Copies of the prospectuses for 10 per cent Treasury Loan, 1993 dated 7th February 1986, 103 per cent Exchequer Convertible Stock, 1989 dated 22nd November 1985 (which contained the terms of issue of 10 per cent Conversion Stock, 1996) and 9 per cent Treasury Convertible Stock, 1980 dated 6th March 1973 (which contained the terms of issue of 9 per cent Conversion Stock, 2000) may be obtained at the Bank of England, New Issues, Watting Street, London, EC4M 9AA. The Stocks are repayable at par, and interest is payable half-yearly, on the dates shown below.

10 per cent Treasury Loan, 15th April 1993 1993 3rd March 2000

The further tranches of 10 per cent Treasury Loan, 1993 and 9 per cent Conversion Stock, 2000 will rank for a full six months' interest on the next interest payment date applicable to the relevant Stock. The further tranche of 10 per cent Conversion Stock, 1996 has been issued on an ex-dividend basis and will not rank for the interest payment due on 15th November 1987. Official dealings in the Stocks on The International Stock Exchange are expected to commence on Friday, 23rd October 1987.

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BANK OF ENGLAND LONDON

Zind October 1987



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### Inspirational "small" bangs

does indeed still have the ring of truth about it.

At the little gallery off London's Marylebone High Street—the 9H Gallery at 26 Cramer Street, London, Wi—there is an inspiring small exhibition that gives rise to confident hopes about the future of architecture in confident hopes about the future of architecture in Britain. Called Four London Architects, it shows some recent work of Chipperfield Associates, Rick Mather Architects, Eric Parry Architects, and Stanton and Williams. The exhibition lasts until November 15 and a visit there will show that the long-awaited fresh wind is blowing through London, bringing not devastation but inspiration. That inspiration for all these four young practices is the recent much-despised Modern Movement, They see the virtues in

mind ourselves that not all the best bangs are the big ones. Today "Small is Beautiful" is of restraint: as the architect often thought of as the wishful thinking of the 1960s, but it does indeed still have the ring of truth about it.

At the little gallers of the design of the shop. Starting from the materials,

making simple geometric forms
—there is nothing complicated or unnecessary here. Portland stone, slate, timber and marble are the materials, and the raised platforms and clear spaces suggest the spirit of ancient Japanese architecture rather than imitating the sub-

Chipperfield is also working on a mews off the Grays Inn Road, which is being converted into premises for a firm of graphic designers. The designers are on the first floor. will show that the long-swaited fresh wind is blowing through London, bringing not devastation but inspiration. That inspiration for all these four young practices is the recent much-despised Modern Movement. They see the virtues in rational, almost classical design. Inspired by real geniuses, like Lou Khan and the much earlier Adolf Loos, they, too, see virtue in the perfect mixture of formal spaces and rich materials.

Each firm shows three principle schemes and some projects. There is considerable variety but, spart from Rick Mather's teaching and research buildings for the University of East Anglia, the work is on a small scale.

David Chipperfield has worked chiefly as a designer of materials and some association.

Last week of all weeks was a particularly good time to remind ourselves that not all the best bangs are the big ones. London's Sloane Street, is the idea behind it; clients' needs internal atrium. The entrance architecture of high fashlon, are analysed, but often ball is simple, using glate for the floor and painted plaster for the floor and painted plaster for the walls that look like Italian answered in a lateral way.

Rick Mather is the oldest
architect showing with this

group and so he has more sub-stantial work to display. I have already written in this column about his largest completed commission, the School of Education and the Climatic Research Building at the University of East Anglia. It remains an accomplished essay that adds a note of wit and

elegance to the earlier campus.

His other schemes on show in this exhibition are two Chinese restaurants for the Zen restaur-ant group. Both are in London, ant group. Both are in London, and they demonstrate successfully the architects' wish to bring as much light, air, and movement into these large white rooms as possible. Water runs in a glass cascade down the entire length of one wall of the Mayfair and plants and water are prominent in the Hampstead one. Ambience is part of the secret of a good restaurant—Mather has created an original atmosphere for his Chinese clients.

an original atmosphere for his Chinese clients.

Eric Parry shows one completed project and work in progress on two artists studios, as well as fine drawings for a "Villa of the Physicists," based on the setting for the Friedrich Durrenmatt play. This temple, or is it a mausoleum, evokes both mystery and rationality in its hypothetical design.

East Anglia, the work is on a small scale,
David Chipperfield has worked chiefly as a designer of shops, although now he has some larger tobs in the pipeline. His "Issey Miyake Permanente," completed in 1985 in materials, but all in a tiny space, enlarged by changes in level and intricate furniture.

Apart from the quality of the spremises for graphic designers and film animators in a conversion of an old Soho building. The façade is carefully retained, and a beautiful small entrance loggia is created: this leads to a corridor that enters a tall

stucco. Green, yellow and burnt sienna are the palette, and the scale is modest until you reach the atrium that has a monumental air in a relatively small space. Parry's work is romantic and beautiful in a way that has become rare. I look forward to seeing more completed work. Stanton and Williams are not

both architects. Paul Williams is a designer best known for his exhibition work. His recent partnership with Alan Stanton, an architect from the high-tech stable who worked on the Centre Pompdou, promises interest and innovation. Their work is about to be on display in a major way — they have designed the Royal Academy's big winter exhibition devoted to Gothic art.

To display chronologically in the classical rooms of Burling-ton House the artistic achieve-ments of the reigns of five Plantagenet kings is no mean undertaking. The tantalising preview at the 9H Gallery shows a sensitive response to the Gothic style which will suggest rather than imitate it.

In the work of all these archi-In the work of all these architects the past is no longer something to be afraid of—instead it is something to be assimilated and distilled. The recent past has lost its terror and is confronted straight on—not embroidered on the surface, as has been the less successful aspect of post-modern architecture. There is real integrity in the work shown, and any slight the work shown, and any slight danger of preciosity will die away as the larger commissions come rolling in.





るはころ

The same actors—Gerald Murphy (top) and Patrick Bailey—in "Deathwatch" left) and "The Maids"

#### Deathwatch, The Maids/The Pit

#### Michael Coveney

Genet's two plays, dating from the late 1940s, are not a double bill but they do irradiate com-parable aspects of sexual pos-session through power games and erotic play. In fine new translations by David Rudkin, these irralligently services these intelligently sensuous co-productions by the actor Gerard Murphy and the designer Ultz at last rescue the RSC's Genet season from the inanition of a drab Balcony and a cancelled

In Deathwatch (Haute Surveillance), the condemned murderer, Green Eyes, goads his fellow inmate, Lefrane, into strangling a young, pretty, petty thief, Mikkel, who shares the cell. The rituals of swagger and manipulation prefigure exactly the more familiar manocuvres of The Maids (Les Bonnas), in which the sister maids, Claire and Solange, piot the death of their mistress in a bondoir of flowers, mirrors a boudoir of flowers, mirrors

In Deathwatch (Haute Sur

and lush gowns. Three actors adopt, as it Gerard Murphy is Green Eyes were, the parallel roles, thus and Solange. He makes of each highlighting the erotic play-ground side of Genet's theatri-vincible. The criminal and the ral imagination. His prison, as maid are equally buoyed up on much as his bedroom, is a Mr Rudkin's threatening Celtic closed arena where male oratory. The first is an estatic friendships fight for survival. The cast assemble to blasts of and chest tattoo until becoming the Mozart Requiem, and his own environment—" I am moments of high pressure and this prison. I have spice attention of the prison. moments of high pressure and his own environment—"I am moments of high pressure and this prison. I have spies every-death are underpinned with where." With his docker's bulk Callas in full flow, But the proceedings are not otherwise infected with stock response to Murphy's transvestism is a tactical ploy, not a camp indulg-

Here is poetic evidence of a flinty, detailed homoerotic street life and culture, as real in Genet's own The Thief's assumes a double dimension: the criminal dreamer is partner to these dramas are formalised addends—as on Lou Reed's finical, pathetic Lefranc, who Transformer album, which plays us out of the Barbican bowels. An excremental, sacra-

mental exodus, indeed.

triumphal charade - playing

These partners enact an engrossing vocal duel, Mr Murphy impulsive, peut-up and liable to burst the dam, Mr liable to burst the dam, mr
Anderson metallic, cold, corrective. Their boyish plaything is
Patrick Bailey, a spur to
jealousy in Deathwatch, an
invitation to murder as a
swishily 1950s mannequin in
blonds wig and waisted steel
blue suit in The Maids.

Lowlife glamour is a peren-nial commodity in this dan-gerous underworld, and the glashed jeans, leather belts and siashed jeans, leather betts and begrimed vests of the prisoners are as much a uniform as the Madame's plundered wardrobe. The staging of Deathwatch is a particular revelation, Mr Murphy pacing the exercise yard of Ultz's elegantly transparent, rattling cage, with a sullen, simian disregard for the outside world.

#### The Living Room/Royalty

#### Michael Covency

The Living Room by Graham and here was a new thestrical freene was that author's first play and the first play reviewed in these pages. On April 18, 1953, the FT published Derak Granger's sensitive and evocative notice, evidence of the newspaper's "widening range of interests."

The Living Room by Graham and here was a new thestrical the eccentric domestic care of two old aunts and a crippled uncle, a Catholic priest. Her mother has died — the first in the eccentric domestic care of two old aunts and a crippled uncle, a Catholic priest. Her mother has died — the first in the eccentric domestic care of two old aunts and a crippled uncle, a Catholic priest. Her mother has died — the first in the eccentric domestic care of two old aunts and a crippled uncle, a Catholic priest. Her mother has died — the first in the eccentric domestic care of two old aunts and a crippled uncle, a Catholic priest. Her mother has died — the first in the eccentric domestic care of two old aunts and a crippled uncle, a Catholic priest. Her mother has died — the first in the eccentric domestic care of two old aunts and a crippled uncle, a Catholic priest. Her mother has died — the first in the family to have married out of the Catholic priest. Her mother has died — the first in the family to have married out of the Catholic priest. Her mother has died — the first in the eccentric domestic care of two old aunts and a crippled uncle, a Catholic priest. Her mother has died — the first in the family to have married out of the Catholic priest. Her mother has died — the first in the family to have married out of the Catholic priest. Her mother has died — the first in the eccentric domestic care of two old aunts and a crippled uncle, a Catholic priest.

The chorus of approval elsewhere included such various voices as J. W. Lambert and Kenneth Tynan. The season had been a notably dull one.

Dorothy Tutin in the role of Rose Pemberton, the young girl who has been thrown on

The show also launched The priest, as you would expect, is a failure, the young girl doomed. Their attraction for each other is underlined not so much in Bryan Furbes's production, nor in the quality of playing between Katherine Schlesinger and Paul Daneman, as in the entr'acts recording of the lush theme from Mahler's Death in Venice Symphony.

The edginess of the first scene between Rose and the lecturar, Michael Dennis, is simply not sustained thereafter. This may have something to do with lines like "I loved the night of my mather." you the night of my mother's funeral," or "I'm afraid of losing you in a world of old people." But it has more, I feel, to do with the quality of Peter Blyth's reading of Michael, a genuinely smitten refugee from a decent but love-less marriage. Nobody else matches Mr Blythe's line in subtle anguish and cruel pre-

The revival has nothing new or inspired to say about the play but, even worse, gets it all wrong on its own terms. The living room is where nobody dies—" an ominously unclaimed tomb." tomb," wrote Mr Grangeris, in fact, a converted third floor bedroom, incongruously furnished. Carl Tome's green Greene room is a conventional, siry reception room of spacious Victorian scale.

This territory is ruled by one ferocious aunt and her timid sister-shadow. The whole point of their exchange of strength—

paralleled in the recognition of paralleled in the recognition of hopelessness between the girl and the priest—is lost in the playing. Dulcie Gray potters jovially around in slippers as 78-year-old Teresa, but Judy Campbell, for all her dignified beauty and croakily exotic vocal mannerism, finds senile tyranny and repressive cruelty entirely beyond her present capacity.

The full terror of being s
Catholic is something nobody
on the Royalty's stage has
begun to understand. I grant
that the question itself may
sound musty today. But it has
to be absorbed for the play to
work. Rose's shocking cry when
confronted by Michael's distraught wife (Jennie Linden)
in the second act is: "You can
stay his wife; I only want
to be his mistress." Miss
Schlesinger, in a curiously
frizzed Afro hair-do that is
itself disastrously anachronistic,
svinces a wide-eyed nastiness

experience has many resonances in Greeneland, and it was clever of Mr Granger to suggest that the onstage sextet may be haunted by a spectral seventh character, "Mr Greene his and believe with the combetter in improgramment of the combetter in improgramment in the combetter in

seventh character, "Mr Greene himself wrestling up there with the powers of evil like a bedevilled St Antony in a Grunewald painting."

I prefer now to see this fascinating piece as a prophetic drawing room (living room, lounge, what you will) prototype for much subsequent territorial and recriminatory modern English wage comedy. type for much subsequent ter-ritorial and recriminatory modern English reage comedy. At the Royalty, though, they seem to be doing it out of re-verence. The occasion lacks sparkle and persussion and pro-bably sends the play back to the library for good.

### Stravinsky triple bill/Covent Garden

#### Clement Crisp

The Royal Ballet's new Kastchey's realm, and the flash travingly triple bill at Covent of the Firebird across the the be his mistress." Miss seened to the conducting of first seene did not detract from success of the evening owes. So much to the conducting of first seene did not detract from success a wide-eyed nastiness that bodes everyone's destruction but her own. Her desperation is a callous indulgence, not a symptom of the tragic fate Greene indicates.

The invasion of innovance in process and innovance in process and innovance in processes gave this lyric intergraph of the tragic fate greene indicates.

The invasion of innovance in processes and innovance in processes gave this lyric intergraph of the tragic fate greene indicates.

The invasion of innovance in processes and innovance in processes gave this lyric intergraph of the tragic fate greene indicates.

> On Saturday night Haitink, with his orchestra in immaculate form, produced readings of The Firebird, Scenes de ballet and The Rite of Spring that were exemplary as views of the scores and as partners for danc-ing (not always the same thing,

accounts of aroung season and contrast them with what happens when the Kirov and Bolshoy Ballets present this more vivid, than for many same work with their own years: the power of Fokine's orchestras, showing a true magical tale has rarely seemed so fresh and exciting. Anthony Dowell was the noblest of Ivans;

Therak Rencher a diabolical and how Derek Rencher a diabolical scarab as Kastchey; and how good to see Deanne Bergama back with the company as a

radiant Princess. With Scenes de Ballet Haltink conveyed, as in no other per-formance I recall in this theatre, the architecture of the score, lng (not always the same thing, but gloriously so under Haitink's baton). Firebird seemed an entirely new experience, both aurally and visually. The shimmer of Dowson, was admirably responsive to the elegance of the balanced, and the clarity of texture, exactly reflected the light and shade of Ivan's adventures, the mysteries of the architecture of the score, the logic and onward progress of its action. The cast, led by Lesley Collier and Antony Dowson, was admirably responsive to the elegance of the music's style. This is one of texture, exactly reflected the light and shade of Ivan's adventures, the mysteries of the score, the logic and onward progress of its action. The cast, led by Lesley Collier and Antony as admirably responsive to the logic and onward progress.

so it seemed on this occasion.

The closing of Rite was as rhythmically bold and nuanced in orchestral sonority as one could wish—the musicians deserve every praise. There has been beneficial editing of the tribal make-up worn by the dancers (more uniform, less colourfully daubed) and the youthful energy of MacMillan's choreography was matched in

the vitality and coherence of the gramme, with Bernard Haitink company's electric performance. conducting: I recommend them company's electric performance. conducting: I recommend them Flona Chadwick made her unreservedly to lovers of fine debut as the Chosen One, a orchestral interpretation as of reading worthy of Monics fine dancing.

Derrorm

#### Association of British Jazz Musicians formed

National Jazz Month, has seen ABJM, set up after discussions between Jazz Services director Chris Hodgkins and trumpeter Digby Fairweather is the first of its kind in Britain. Its aims include the promotion of jazz in every area of British cultural activity (including education), working with the Musicians' Union to improve conditions for

October, Britain's first ing corporate opinion. Iational Jazz Month, has seen The ABJM will publish a the foundation of a new organi-setion, the Association of set up an annual general British Jazz Musicians. The offer other members' privileges including a "National Jazz Card" offering countrywide

#### Royal College of Art exhibition

working with the Musicians'
Union to improve conditions for
British jazz musicians and the
Provision of a forum for
exchanging views and expressNovember 24.

### Arts Guide

#### all the Arts appears each Friday.

Alexandr Mich

Music LONDON

Paul Daneman and Katharine Schlesinger

Friend with Sarah Walker, mezzo soprano. Debussy, Ravel and Fauré. Wigmore Hall (Wed). Lyun Harrell, cello. Bach and Hindemith, Wigmore Hall (Thur). ondon Symphony Orchestra conduct-ed by Mstislav Rostropovich. Rostropovich 60th birthday concert.

thoven and Shostakovich. Barbicen Hall (Thur). (638 8891).

Trio Ravel: Haydn, Ravel and Schubert. Wigmore Hall (935 2141).
(Mon).
Nash Ensemble conducted by Lionel Friend with Sarah Walker, mezzo
Friend with Sarah Walker, mezzo
Debusser, Ravel and Fauré.

Communication (Mon). Comedie des es Musiciens Ameurence Ro Schumann (Mon). Comedie Champs Elysées (4720 3837). Michele Lagrange recital, Dalton Baldwin, piano (Mon). Théâtre de l'Athenée (4742 6727).

ano: Bach (Mon). Salle Pleyel (4563 0798). logiish Chamber Orchestra, Mitsuka Uchida, piano: Mozart (Mon). TMP-

et (4233 4444). rehestre de Chambre Bernard Tho-mas conducted by Bernard Thomas: Vivaldi, Schubert, Cimarosa, Bellini (Tus). Saint-Roch Church (The). Saint reconstructed by Zubin irchestre de Paris conducted by Zubin irchestre de Paris conducted by Zubin irchestre de Woodward, piano:

Mehta, Roger Woodward, piano: Messinen, Xenakis, Mahler (Wed, Thur). Salle Playel (4296 9694). Orchestre National de France, Jeremy Mennhin, piano, Jean-Jacques Kan-

Whele/Monday, Opera and Bellet/Tuesday, Theetre/ Wechesday, Exhibitions/Thursday, A selective guide to

#### torow, violin, Misha Maisky, cello: Beethoven (Thur). Théátre des Champa Elysées (4720 3637). METHERLANDS

Haenchen conducting the Nether-lands Philharmonic, with Frank Pe-ter Zimmermann, violin: Bertok, Tchaikovsky, Schumann (Mon), The Asko Ensemble, Schönberg Ensem-Asko Ensemble, Schönberg Ensemble and Hague Percussion Grounder Reinbert de Leeuw: Messiae (Tue). Recital Hall: Hakan Hagegard, beritone, accompanied by Geoffrey Parsons: Schumann, Ricouncy Francis Scannan, Archard Strauss, Ives, Grieg, Stenhammar, Sibelius (Tue). Anner Bijlsma and Hideimi Suzuki, baroque cellos, with Jacques Ogg. harpsichord Vivaldi, Bach (Thur).

oo soj. rdam, Doelan. The Randtsedlijk catterdam, Doelan. The Randisedifik Orchestra and massed choral voices led by the Rotterdam Opera Choir conducted by Piet Struijk, with Gaetano Bardini, tenor (Tue). The Asko Ensemble, Schänberg Ensem-ble and Hagus Percussion Group under Reinbart de Leeuw Messiaen under Heinbert de Leeuw: Messiaen (Wed). Tom Parker's The Young Amadeus, the Young Messiah, with Vicki Brown, Madeline Bell, Gordon Neville, the New London Chorale and Orchestra (Thur). Recital Hall: Lodron Sextet: Mozart (Thur). (413 24 90).

Utrecht, Vredenburg, Bach's Hohe Messe with the choir and baroque orthestra of the Netherlands Bach Society (Wed). Recital Hall: Lodron Sextet: Mozart (Tue). Jard van Nes, mezzo-soprano, accompanied by Gerard van Blerk: Brahms, Schu-Wolf, Dvorak (Wed).

Nijmegen, Vereeniging Bach's Hohe Messe with the choir and baroque orchestra of the Netherlands Bach Society (Tue). Anner Bijlsma and Hideimi Suzuki, baroque cellos, with Jacques Ogg, barpsichord: Vivaldi, Bach (Wed). (22 11 00). Arabam, Musis Sacrum. Plano recital by Naum Grubert: Schubert, Beethoven, Bachmaninov (Mon). (51 81 81).

### thoven, (51 81 91).

**NEW YORK** 

Carnegle Hall: Liege Philharmonic Pi-erre Bartholomee conducting, Jef-frey Siegel piano. Franck, Liszt (Mon): Orchestre of St Luke's Chris-toph Eschenbach conducting, Jessye toph Eschenbach conducting Jessye Norman soprano. Mozart, Haydu (Tue); Leningrad State Symphony. Alexander Dmitriav conducting. La-zar Berman piano. Weber, Shostakovich (Thur). (247 7800).

Chamber Music Society of Lincoln Center (Alice Tully): Pergolesi, Amy Beach, Shulmait Ran, Dvorak (Tue). Lincoln Center (362 1911).

Julliard Orchestra (Avery Fisher):
Paul Zukońsky conducting, Falla,
Stravinsky, Mazart (Thur). Free.
Lincoln Center.

Merkin Hall (Goodman House): Prism Orchestra. Robert Black cond Orchestra. Robert Black conducting, Barbara Ann Martin soprano. Schoenberg, Susan Blaustein, Ravel (The); Lisa Joy Sitjar piano recital. Bach, Ravel, Beathovan, Maria Martinez, Schumann (Wed); Samuel Bartos piano recital. Bach, Schubert, Beethovan, Tui St. George Tucker, George Walker (Thur). 67th w. of Broadway (362 8719). Kanfaman Hall: Alice Giles harp recital. Bach, Tournier. Berin, Fauri

tal. Bach, Tournier, Berio, Fauré Salzedo, Eberhard (Tue); Pilar Lor-engar soprano recital with Master-

October 23-29

singers at the Y. Handel, Dvorak, Ghuck, Respighi, Mompou, Obradora, Granados (Wed), 1365 Lexington Av. (831 8803).

New York Philharmenic (Avery Fisher Hall): Erich Leinsdorf conducting, Jorge Bolet piano. Sibelius, Grieg, Borodin (Tue); Erich Leinsdorf conducting, Mozart, Stravinsky (Thur).

Lincoln Center (874 2424).

Philharmonia Virtunel (Town Hall): Richard Kapp conducting, Carter Richard Kapp conducting, Carter Richard Kapp conducting, Carter Rrey 'cello. Respighi, Tchalkovsky, Vieuxtemps, Raydn (Tue). 43rd c. of Broadway (842 1818).

ational Symphony (Concert Hall): Fabio Mechetti conducting, Nicanor Zahalsta harp, Debussy, Ginastera, Dvorak (Tue); Rafael Fruhbeck de Burgos conducting, Joshna Bell viol-in. Tchaikovsky, Respighi (Thur). Kennedy Center (254 3778).

Jamber Music Society of Lincoln Center (Concert Hall): Pergolesi, Amy Beach, Shulmait Ran, Ravel (Wed). Kennedy Center (254 3776).

CHICAGO

Chicago Sym bicago Symphony (Orchestra Hall): Pierre Boulez conducting, Debussy, (485 8111).

Dietrich Fischer-Dieskau, baritone. Schumann. Suntory Hali (Mon). (505 1010). koko Yoshino, harp. Respighi, Bach. Renie, Holliger, Albeniz, Piernė. To-kyo Bunka Kaikan Recital Hall (Mon). (237 9990).

#### Saleroom/Antony Thorncroft

### Netsuke fanatics' field day

One of the world's greatest vestern culture. Last Thursday netsuke collections starts to come under the hammer at Christie's in London tomorrow. It was formed by an American, Raymond Bushell, but London is still the world centre for Japanese art, and netsuke are a distinctive feature of this art: they are the carred torgles they are the carved toggles awarded posthumously to same which attached the inro, the Harrison, a BOAC stewardess who died while saving passentials who died while saving passentials at the saving passentials at the saving passentials are a highly saving alternation.

without pockets.

The Bushell collection numbers around 1,800 netsuke.

A third will be on long-term loan at the Los Angeles County Museum, but Christie's is disposing of most of the remainder in a series of auctions.

items. Many of the great names are included. An ivory netsuke

of a tiger and monkey by the 19th-century artist Masatsugu could go for £20,000. It is one of five examples by this revered figure. From the 18th century here are six netsuke by Tomo tada and four by his pupil, Okatamo. In fact all the most collected artists are present and netsuke fanatics should have a

£500. Ironically, relatively few of the buyers will be Japanese: plane which holds four egg they are slow to appreciate cups and spoons and comes netsuke as art, and are happier with revolving propeller and netsuke as art, and are happier with revolving propeller and capturing the great works of hinged tail rudder,

gers from a blazing aircraft at Heathrow in 1968. It is only one of four GCs awarded to a woman and a price of up to £12,000 is expected. It is sent

for sale by her father. On Wednesday Sotheby's disposes of arms and armour, including Tuesday's sale contains 350 a rare 15th century Bohemian ceremonial arrowhead which. mysteriously, was unearthed recently in a garden—in South Africa. Its history is unknown but its provenance is certain and a price of around £6,000 is anticipated. Rosebery's, a new fine art

auction house concentrating in the middle price range, holds its first sale tomorrow evening at 3 & 4 Hardwick Street, netsuke fanatics should have field day. While certain lots might top £30,000 it should be bury Book Auctions. The sale possible to secure something walnut lowboy which is estimated to the fanation for walnut lowboy which is estimated to the fanation of t mated at up to £4,000 to a 1920s egg cruet in the form of a bi-



#### **FINANCIAL TIMES**

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Monday October 26

### Gorbachev's arms gamble

tions always brings surprises sides to tie up a medium-range missile deal and set a date for an early summit was naturally disappointing after the high hopes which had been raised since they last met in Washington, it should not be seen as a disaster. The likelihood that an agreement on the abolition of intermedical contents of the last drop of concessions out of a President whom the Russians see as having been seriously weakers. the near future is still as great now as it was before the Moscow

tention - was the generally ac-cepted idea in the West that an INF deal must be signed at a Washington summit between President Reagan and the Soviet leader. That is certainly what the beleaguered White House would like to happen. The cosy picture of the Reagan and Gorbachev families united around a Thanksgiving Day turkey has already been propagated by the US media as a way of restoring some of President Reagan's bat-

#### Ideal conclusion

However, failing such an ideal conclusion to the long drawn-out INF negotiations, there is little reason to suppose that either the US or the Soviet Union would refuse to sign a treaty in a different setting. The event could still take place in Washington at a quick signature ceremony devoid of all the trappings of a full-scale summit; or it could be held in Geneva, where all the detailed negotia-

where an the detailed negotia-tions have been conducted. In spite of all the speculation about Moscow establishing a new link between the conclusion of an INF accord and a summit, nothing that has been said in public or private sup-ports such an interpretation. Mr Eduard Shevardnadze, the Sovi-et Foreign Minister, specifically said after his meeting with Mr George Shultz, the US Secretary of State, last Friday that the fe-wremaining disagreements between the two sides could be re-solved in about three weeks. The treaty could be signed when completed once the prac-

THE end-game of any complicated international negotia-

emony were settled.

If Mr Gorbachev has dragged and there was no reason to suppose that the US-Soviet arms control talks would prove an exception. Though the failure by the Foreign Ministers of the two sides to the up a medium-range agreement, it is certainly not to missile deal and set a data for southly a deal which he wants as disaster. The likelihood that an sians see as having been seriagreement on the abolition of ously weakened by the Irangate
intermediate-range nuclear scandal and the Wall Street
forces (INF) will be signed in crash. That squeeze has come in
the near future is still as great an area which Moscow has always considered to be the crux was the control negotiations, the reduction of strategic the issue - and this was probably Mr Mikhail Gorbachev's intention - was the generally accepted idea in the West that an intention is strategic defence initiative, known as "Star Wars."

#### Under pressure It is the strengthening of the 1972 Anti-Ballistic Missile Trea-

the development and testing of components of the US space-based defensive system, that has been made the real condinas been made the real condi-tion for attending a Washington summitby Mr Gorbachev. The Soviet leader is almost certain-ly under pressure from his own military establishment in mak-ing this demand. Yet all the In-dications are that he has misdications are that he has mis-calculated President Reagan's total commitment to "Star Wars", as he seemed to have done at their dramatic summit in Reykjavik in October 1986.
On that occasion, Mr Reagan had an unprecedented nuclear arms reduction agreement in his grasp, but did not blink when asked to abandon SDI. He is unlikely to blink when the bait is no more than a summit with Mr Gorbachev, however appetising that morsel may be.

By leaving the door open to a signature of an INF agreement at a place other than a summit meeting, the Soviet leader has meeting, the Soviet leader has probably prevented his brink-manship tactics from underminarms control negotiations. But it looks increasingly probable that he will have to resign him-self to a postponement of any agreement on the reduction of agreement on the reduction of strategic missiles and the prob-lem of SDI until Mr Reagan's successor has been installed at the White House.

### A year after **Big Bang**

AFTER THE dismal slide in world equity markets last week, the first anniversary of Big Bang tomorrow is scarcely the ideal moment for a dispassion-nie verdict on the liberalisation of the Stock Exchange, it is questionable whether any dealing system would have proved robust in the face of such a combination of circumstances. Even robust in the face of such a com-bination of circumstances. Even on the New York Stock Ex-change, which is highly liquid by world standards and less de-pendent on fallible high tech-nology than London, there were moments when investors were unable to deal in some of the country's best known stocks. When market psychology changes so suddenly and dramatically against a background of huge economic imbalances, some strain in the system is in-

A definitive verdict would also be premature in the sense that the full impact of opening the market to new entrants and fresh capital has yet to be felt. With the equity bull market maintaining its impetus until this month, competitive pressure on securities firms has partly been offset by much in-creased dealing volume and in-ventory profits. Yet there have already been several well pub-licised cases of big houses cutting back on market making ac-tivities. Now that markets threaten to become more difficult, there is bound to be more trouble - not least because the Japanese securities firms and banks, with ready access to the world's biggest savings nest egg, are only beginning to launch a serious assault on the domestic British market.

#### Personal contact

Bang in the City last week were with higher commission charges all without foundation. It is unioned jobber on the Stock Ex-change floor was obliged by Services Act to provide invest-personal contact with the bro-ment protection is both late and ker to offer a response. The untried And it is a moot point move to high-tech screen-based whether the new City conglomdealing has presented the market makers with the opportunity
to ignore the telephone. This
much was clear in August at the
time of the Chancellor's hike in
market makers are caught by a short term interest rates; and sharp turn in securities prices, the message was repeated last A bear market will furnish week as Wall Street transmitted some of the answers while deits neurotic message to the rest monstrating whether the bene-of the world. There is ample lifts experienced so far are like-

things are going the other way. There is also some justifica-tion in the claim that back oftion in the claim that back of-fice administrative problems should have been foreseen. Leading American investment bankers in London, with per-sonal experience of Wall Street's settlement problems in the 1970s, warned loudly about the risks. Too few took heed.

#### Common rules

These problems need to be addressed by the authorities. But the government and the Bank of England can take some Bank of England can take some satisfaction from the fact that much of the wider purpose of the original move to deregulate the Stock Exchange has been achieved. Back in 1983, when the Stock Exchange struck its deal with the then Trade Secretary. Mr. Cacil Parkinger, there tary Mr Cecil Parkinson, there was a real risk that London would miss out on the fast growwould miss out on the tast grow-ing market in international eq-uities. Today the merger of the Stock Exchange with the inter-national investment community in The Securities Association has helped bring about a cen-tral market operating within a common set of rules. Within the European time zone London has thus consolidated its position as the pre-eminent financial centre.

Fund managers also enjoy much cheaper dealing facilities following the abolition of fixed commissions. This was overdue; and for many of them the opportunity to deal more cheaply out-weighs the disadvantage in any decline in the quality of research or - so far, at least - wor-ries about conflicts of interest

There nonetheless remain several unresolved questions about Big Bang. The first con-cerns the effect on private in-That is not to say that the com-plaints to be heard about Big cases to have been confronted doubtedly true that an old-fash- lory system which is being inquidity when prices are rising. ly to last. We may not have to but a great deal less when wait long for a clearer picture.

US POLICY IN THE GULF

# Afloat on a sea of ambiguity

By Lionel Barber and Andrew Gowers

EVER SINCE the US began its military build-up in the Gulf earlier this year, one question has nagged in the minds of American Congressmen and Washington's allies: what pre-The American force now assembled in and around the Gulf
-30 ships and about 20,000 menis the biggest concentration of
though President Ronald Reagan warned Iran last week
against undertaking provocative acts against the US or anybody else, his Administration
since the Vietnam war. Yet its has emphasised that it does not
the provided in an or feel ellicate to come to the aid. since the Vietnam war. Yet its role remains shrouded in an ambiguity, which Iran - the most obvious target of US hostility - has proved adept at exposing and exploiting. Iran's attack on Kuwait last week, for example, underlined the limitations of America's security commitments; despite apparently serious damage to an oil terminal in a moderate, pro-US Gulf Arab state, the Administration was swift to say it would not respond.

To critics in Washington, the story of the Reagan Administra-

the Gulf vindicates their earlier predictions that the US would inevitably be sucked into the Gulf war, and that it would be forced, in the face of Iranian provocation, to take sides with Iraq. 'It is like watching a Greek tragedy," says Admiral Eugene Carroll (rtd) of the Centre for Defence Information.

Defence information.

In the hypercritical atmosphere of Washington, there is always a tendency to over-draalways a tendency to over-dra-matise and things have certain-ly not reached such a pass yet. So far, officials argue, US Gulf policy has won grudging sup-port from Congress and practi-cal, if belated, backing from America's allies in the guise of a multinational minesweeping

Underlying both points of view is the US foreign policy di-lemma which stemmed from the how to reconcile superpower status and obligations to allies with public nervousness about open-ended commitments which inevitably place Ameri-

can lives at risk overseas.

The Administration strenuously denies that it is confused about its objectives. Shortly af-ter US Army helicopters ma-chine-gunned four Iranian gunboats in the Gulf earlier this month, Mr Caspar Weinberger, the Defence Secretary, declared: "Our military objectives are not only not vague: they are quite specific and vital to the national security. They are simply to pursue freedom of the seas and the freedom to pass freely over international waters.

This casts the US in its familiar post-1945 role as international policeman, or protector
of the interests of the free
world. Yet Mr Weinberger's
statement was not the only version of the US mission which
has been propounded by Administration spokesmen in recent months. Others include:

The more limited aim of escorting and protecting 11 Kar-1940 tote as intern corting and protecting 11 Ku-waiti oil tankers flying the Stars

and Stripes. This was the initial Relations Committee noted in a catalyst and rationale for the recent report that Moscow was military build-up following Kualready making political capital wait's request for reflagging earlier this year, and it remains the most consistent feature of US involvement so far. Al-though President Rouald Re-

story of the Reagan Administra-tion's growing entanglement in the Gulf vindicates their earlier between the US command ship

the US is prepared to go to reas-sure its Arab friends. Is it ready ultimately to come to the aid of Knwait, which has been a target for repeated Iranian missile attacks in recent weeks? American officials have repeatedly denied that the US has any obligation to do so. Still less does washington seem to be of a mind to rush to the direct de-fence of Iraq, despite warnings of the dangers of an Iranian vic-

recent report that Moscow was already making political capital out of its improving ties with Ir-

or the dangers or an Iranian vic-tory in the Gulf war from such quarters as the Senate commit-tee. US officials have been re-ported as speaking privately of the need to prevent an Iranian victory, but the Administration victory, but the Administration does not state such an objective

does not state such an objective as a matter of policy.

Some officials go further and argue that eventually the US naval mission, quietly but effectively supported by moderate Gulf states, could lay the groundwork for a long-term US role in the region, filling the vacuum created when the American-backed Spah of Iran

The US's new security structures are improvised and diffuse, in contrast with the treaty-based alliances of the post-war years

Moscow's agreement to lease three ships to the northern Gulf emirate, amid warnings from Mr Weinberger that the water-way was in danger of being transformed into "a Soviet lake." © Reassuring the Gulf Arab states, which have been shaken by Iranian threats to extend the war beyond Irea. This was vital-Moscow's agreement to lease war beyond Iraq. This was vitally important for Washington in view of its embarrassment over

rangate.
The truth behind the US misine truth beamed the US mission probably lies in a mixture of all these explanations. But they still beg a number of questions, especially since some of

tions, especially since some or them are contradictory.

For example, it is Iran that needs freedom of navigation more than anyone in the Gulf, dependent as it is on sea routes to export virtually all its oil. It was Iraq which initiated disrup-tion of shipping by starting the tanker war in earnest in 1994, yet the US has been reluctant to put more than token pressure on Baghdad to stop hitting ticle in Foreign Policy maga-

those in Washington who fear that if the US seriously con-fronts Iran, it will run the risk of driving Tehran closer to the Soviet Union, its northern neighbour. The Senate Foreign

explanation for the original defell to the Islamic revolution-cision to reflag Kuwaiti tankers, aries led by Ayatollah Ruhollah which was taken in response to Khomeini. They contend that with this strategic goal in mind it is of the utmost importance for the Administration to show

it has staying power.

President Reagan has so far attempted to fudge the issue by describing the US mission broadly in terms of responsibilities held by the leader of the

free world.

This approach was well suited to a different era - the immediate post-war years under President Harry Truman and Secretary of State Dean Acheson, when the primary US foreign policy goal was to contain the spread of Communism.

Today the grand vision site management of the grand vision site management. Today, the grand vision sits un-easily on a nation with post-Vietnam political inhibitions.

Yet the point is that both Washington and the Gulf states want, for the moment, to keep things vague, as Mr Terry Dei-bel, professor of national secu-

sine this summer.
In contrast with the treaty-based multilateral US alliances of the immediate post-war peri-od, (Cento, Seato, Nato, Anzus), the new security structures are "improvised and diffuse" and above all respectful of the postcolonial era. In the light of the departure of the British from east of Suez, the US was bound to fill the gap.

Yet, as Mr Deibel points out, there was no question of Uncle Sam creating a base structure of It is also worth asking how far the sort that once supported the sweeping global alliances con-structed by Mr John Foster Dulles, President Dwight Eisenhower's Secretary of State. Whatever the Pentagon's ambitions to establish permanent bases in the Gulf, the more realistic officials know there is a limit to the public commitments Gulf Arab leaders can make to the US.

"Fearing the fate of the Shah, the rulers of south-west Asia could not risk open identifica-tion with the superpower that armed and bankrolled Israel...," Mr Deibel wrote. Hence the current case-study in public ambi-guity. The Carter Administra-tion created, and the Reagan Administration inherited, a sys-tem of discreet security arrangements in the Gulf with host country control, no formal treaties and a minimal Ameri-More explicit are the heavy US military aid commitments: a

sale of five airborne warning and control system (Awacs) air-craft to Saudi Arabia in 1982 the key to that country's air defence system - and a further \$15bn (£9bn) of arms sales to member states of the Gulf Cooperation Council, including \$300m on improvements to four Omani airfields. Impressive though these are, it should be borne in mind that Israel, through its formidable lobby in the US, has helped block other deals including the Sandi attempt this year to buy Maverick anti-tank weapons, part of a \$1bn package about to be approved by Congress has undoubtedly strengthened the impression of confusion. Since the question of reflagging Kuwaiti leed funds the key to that country's air de-

question of reflagging Euwaiti tankers arose, and especially since the US frigate Stark was hit by an Iraqi Exocet missile, it is presumed accidentally, in May, with the loss of 37 American lives, both the US Senate and the House of Representa-tives have been expressing con-cern and searching in vain for a voice in US policy. Yet no alter-native policy to the US escort mission has emerged.

Congress approves their deployment. But successive presi-

Many Senators have spent hours of debate on the 1973 War. Powers Resolution, which sets a 60-day deadline for the with-drawal of US forces in the area of "imminent hostilities" unless

captain, were in-

form in retaliation for the missile attack on a US-flagged tanker at a Kuwaiti terminal in which 18 crew, including the At his press conference last Thursday, President Reagan pointed out that the US had been involved in more than 200

military actions abroad since 1798 and Congress had author-ised funds for only 62. The re-mainder had been carried out on the orders of the President. The War Powers Act - the high-water mark of congressional power in foreign policy making in the immediate aftermath of Vietnam - remains a cide izma The immediate test, then, is whether the Administration is

whether the Administration is willing to stay the course. This cannot be considered a certainty given the embarrassing withdrawal of the American contingent in the multinational force in Lebanon in 1994 after an explosion at the US marine barracks in Belirut killed more than 240 americans. 240 americans

dents, from Mr Richard Nixon onwards, have rejected the law as an unconstitutional restriction on executive power.

The Reagan Administration has defused claims that it is snubbing Capitol Hill by carefully briefing congressional leaders on important policy details, including last week's demolition of an Iranian oil plat-

The problem is that this policy, however finely tuned, is essentially reactive and dependent on developments beyond Washington's control. The US has been putting considerable muscle into efforts by the United Nations Security Council to end the Gulf war. But its plans to step up the international pressure on Iran - by implementing a global embargo on arms sales to Teuran - have

arms sales to Tehran - have been frustrated by Soviet and Chinese stalling. Despite the UN's best efforts, there is no real indication that the conflict is drawing to a close. On the contrary, it shows close. On the contrary, it shows every sign of excalating. There are widespread fears of a fresh Iranian offensive on land before the end of the year. Iraq is most unlikely to cease its attacks on Iranian oil export operations; which have been its most effective response to military pressure from Tehran, and Iran is likely to retaliste by hitting neutral shipping. ting neutral shipping.

That leaves the US essentially in the position of a hostage to developments in the war. Many observers believe the American force is likely to have to stay in the region in strength until the conflict ends. However becom-ing the role of international policeman may be, the US must surely be looking for something less exposed than the present uneasy furrow it is ploughing up and down the Guif

### TORONTO, OCTOBER 25

trade deal Only one thing surpasses the average Canadian's intense and rather morbid fascination with the United States: the average American's supreme indifference to Canada

Tricks of the

ence to Canada.

Thus the relative dearth of column inches devoted south of the 49th parallel to the recently-signed free trade pact between the two countries is seen as something of an affront to na-tional dignity by many Canadi-

Luckily, the eager beavers of the Canadian press corps have compensated for their US peers inadequacies by addresspeers inaceduacies by addressing the subject with a thoroughness which has given a whole
new meaning to the term "saturation coverage". Thanks to
them, we know that US Treasury Secretary. James Baker,
made one of his most telling interrentions while enjoying a terventions while enjoying a fried chicken supper in his of-fice with members of the Canadian delegation. We are aware, too, that the agreement was finally signed on a briefcase balanced on the lap of the Canadian Prime Minister's chief of staff, Derek Burney.



### **Men and Matters**

It now also seems that a deal was not reached until 22 bours was not reached until 22 nours after the Reagan Administra-tion notified Congress of its in-tention to enter into a trade agreement with Canada. Acagreement with Canada. According to a speech delivered to a group of Toronto economists by Canada's deputy chief trade negotiator. Gordon Ritchie, the pact was not signed until about 10pm on October 4. Ritchie said he did not hear much of the joint news conference held by the two sides earlier that day because he was busy trying to negotiate an agreement.

Stormy waters Perhaps it is the fear of being Perhaps it is the fear of being somehow subsumed within its powerful southern neighbour (a national neurosis which, incidentally, the trade deal has done much to resurrect) that explains the tenacity with which Canada clings to ties with the erstwhile colonial powers.

After all, the country has recently played host both to the second summit of Francophone nations in Ovehee and to the

nations in Quebec and to the latest Commonwealth get-to-gether in Vancouver. And how else does one explain the fact that Queen Victoria's birthday is still a national holiday here? Or that Peter Wright's "Spycatcher has, since August 24, been in extended residency at the top of the bestseller list? It is regrettable, therefore masters are a trifle strained at present. Mrs Thatcher's obstipresent. Mrs Thatcher's obsti-nacy in opposing further sanc-tions against apartheid, against the wishes of Prime Minister Mulroney and the other Com-monwealth heads of state, has been widely reported. Less well-publicised has been the festering fishing dispute with France.

France.
At the tiff's epicentre are two At the tiff's epicentre are two is generally regarded as the small vestiges of Gallic sover- first genuinely Canadian artis-

eignty some 12 miles off the south coast of Newfoundland: namely, the islands of St Pierre and Miquelon, which support about 6,000 impecunious fisher-

men. Talks have been going on for years over territorial waters (France claims a 200-mile terrifrance claims a 200-mile territorial limit for its islands, once
referred to by Mulroney as "peanuts") and fish quotas. But
things took a decided turn for
the worse recently when France
broke off negotiations, prompting Canada to announce plans
to close its februs despunds to to close its fishing grounds to French and St Pierre-Miquelon lishermen to 1988.

At least as delicate as relations between Canada and France in this matter are relations between Canada and Newfoundland. Just prior to the French walkout, Newfoundland's Conservative Premier, Brian Peckford, stormed out of the talks himself(Newfoundland has been playing an advisory role), over a Canadian plan to offer France cod quotas in the fisheries off Newfoundland's east coast in return for agreement to refer the boundagreement to refer the bound-ary dispute to international arbitration.

With an official unemployment rate of 22 per cent and a heavily fish-dependent econo-my, Newfoundland is ill-in-clined to see any portion of its precious cod stocks sacrificed on the altar of better Franco Canadian relations.

#### Seven wonders

Toronto is a particularly appropriate venue for next year's G7 meeting since it is the city which spawned the original Group of Seven exactly 67 years

ago. The Group of Seven, as most Canadians understand the term,

tic movement. It consisted of a band of like-minded, primarily landscape painters who, frus-trated with the conservative and imitative nature of most Caand imitative nature of most Canadian art, set out to develop their own style. Of course, their bold, brightly-coloured canvasses were initially derided by the Canadian artistic establishment. But they went down a storm, I am told, at the 1925

wembley exhibition.

What sort of pictures, I wonder, will their latterday namesakes be painting here next

#### **Grey day**

Recent Canadian sporting triumphs like the epic Canada Cup ice-hockey victory over the USSR and Ben Johnson's stunning 100m world record in Rome have contrived to make Rome have contrived to make Canadians (with the exception of Toronto Blue Jays baseball fans) uncharacteristically boastful of their sporting heritage of late. Thus it is with optimism that afficionados are looking forward to Grey Cup day - Canada's Super Bowl - the last big sporting blow-out before the long cold winter sets in.

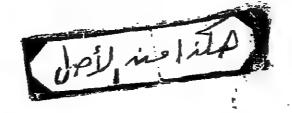
The Canadian Football League is a source of pride throughout the country. Whereas the best domestic ice-hockey and baseball clubs must com-

and baseball clubs must com-pete in all-North American competitions, the CFL is an exclusively Canadian phenome This probably explains why it is still a going concern despite

its apparent perpetually des-perate financial straits. Yet, even the CFL is not as quintessentially Canadian as all that. Grey Cup day is the on-ly day when Canada goes crazy over two teams of Americans playing for a British Cup," comments one caustic observer. As this remark implies, CFL teams are largely composed of refugees from the US National Football League. The cup itself, like ice-hockey's Stanley Cup and lacrosse's Minto Cup, was named after a British governor general, Earl Grey, who pres-ented it for the amateur rugby football championship of Cana-

Observer





LAST WEEK, on his state visit trines to West Germany, President Mitterrand announced a signifidoctrive, involving a radical downgrading of the role of French sub-strategic nuclear

tions may have considerable political merit in comenting relations between France and Germany, it is not at all clear whether President Mitterrand has in fact provided any new so-lutions to the old problems of nuclear deterrence.

At the end of his visit, his diplomatic advisers were beaming with satisfaction. One of them described the president's concluding press conference, main-ly devoted to nuclear issues, as he most important since his

near Germany - or as close as is possible to renunciation, given near Germany - or as close as is possible to renunciation, given the cardinal rule of uncertainty proposes and the US accepts What makes the n in all nuclear deterrence doc-the elimination of these weap-more striking is that it emerged

The ideological significance of this renunctation is that it recant revision of French nuclear, vives memories of the absolutist

de Gaulie. In 1966, he took
France out of Nato rather than
The determination in the determina But while his new formula- of the US government to make a is turned harshly on France's tion to "flexible response", rely-

tion to remove from Europe all nals and ours."

### De Gaulle and deterrence

transition from massive retalia- Pluton (and later Hades) mising on shorter-range nuclear range of less than 500km. On the weapons. This he regarded as a one hand, the French governweakening of the American ment has adamantly refused to But it is the European political dimension which gives the French initiative its real salience. The Double Zero optake part in any nuclear arms

Intermediate-range Nuclear
Forces (INF) of more than 500km range, puts the Germans in a
doubly painful dilemma and
throws grit into the Franco-German relationship. This is because if Nato remains limited to The centre-piece of the new doctrine is a renunciation of the use of France's short-range Pluse of France's short-range Pluse of France's short-range Pluse of France's short-range nuclear weapons of the short-range nuclear weapons of the cause if Nato remains limited to short-range French missiles whose purpose might be determined in the rationale or cause if Nato remains limited to short-range purpose might be determined in the rationale or cause if Nato remains limited to short-range purpose might be determined in the rationale or cause if Nato remains limited to short-range purpose might be determined in the rationale or cause if Nato remains limited to short-range purpose might be determined in the rationale or cause if Nato remains limited to short-range purpose might be determined in the rationale or cause if Nato remains limited to short-range purpose might be determined in the rationale or cause if Nato remains limited to short-range purpose might be determined in the rationale or cause if Nato remains limited to short-range purpose might be determined in the rational or cause if Nato remains limited to short-range purpose might be determined in the rational or cause if Nato remains limited to short-range purpose might be determined in the rational or cause if Nato remains limited to short-range purpose might be determined in the rational or cause if Nato remains limited to short-range purpose might be determined in the rational or cause if Nato remains limited to short-range purpose might be determined in the rational or cause if Nato remains limited to short-range purpose might be determined in the rational or cause if Nato remains limited to short-range purpose might be determined in the rational or cause if Nato remains limited to short-range purpose might be determined in the rational or cause if Nato remains limited to short-range purpose might be determined in the rational or cause if Nato remains limited to short-range purpose might be determined in the rational or cause if Nato remains limited

French defence policy with

weapons were an essential com-

plement to the conventional de-

tation in which the General

only a few days after Mr Andre Giraud, the French Defence Minister, had gone further than any of his predecessors of the past 29 years towards lining up notion of a final warning of the control of the past 29 years towards lining up notion of a final warning of the control of would have to take the form of a Nato doctrine.

In a long interview with the Figaro newspaper. Mr Giraud endorsed Nato's doctrine of or with a medium-range air-to-

France has revised its nuclear

strategy. Ian Davidson reports did not do was provide a con-vincing alternative rationale for flexible response, and ex-surface missile, which has yet to plained that tactical nuclear be developed. Whichever hap-

fence of Europe. Best of all, he had managed to claim the legitimacy of Gaullist orthodoxy, by unearthing a little-known quo-

sors in the Gaullist era. So, far from asserting that France's nuclear arsenal can offer an alternative to the US deterrent, he believes firmly that the protection of Europe depends on the nuclear deterrents of all three Western nuclear powers, the US. France and Britain.

Yet it is hard to reconcile this with what now appears to be a nuclear doctrine which diverges markedly from that of the other allies. What President Mitterrand

handling the problem of the West's conventional inferiority to the Warsaw Pact

pened, the Soviet Union might have difficulty in distinguishing His advisers believe that this between a final warning and the start of a massive strategic strike.

The paradox is that President arms control initiatives with a Mitterrand claims more catego- proposal for large and asym-

PRE-TAX PROFITS

(£ million)

In contrast, it would be hard to detect any doctrinal difference between the views of Mr Giraud and those of Nato, "Europe," he told Figaro, "cannot be guaranteed against a conven-tional attack either by conventional forces alone, or by stratenuciear deterrence

alone... Before resorting to strategic deterrence, we need intermediate nuclear forces which are sufficiently impressive to frighten an aggressor, suffi-ciently limited for their use to he credible " It will be exceedingly inter-

esting to see what comes of these intra-French divergences today and tomorrow when the Foreign and Defence Ministers of the seven member states of the Western European Union defence grouping hold a joint meeting in the Hague. In principle, they are due to break new ground by drawing up a state-ment of their common (ie European) interests in the security field. In practice, force of habit and a widespread anxiety not to

By Terry Dodsworth

offend either the US or other West European countries will make it difficult to break away from the standard language of Nato communiques

They are also expected to agree to use the WEU for consultation on arms control issues. This may sound innocent but could lead to distinct differ-

ences with the US. As President Mitterrand said in Bonn last week: "Everything requires us to adopt similar positions on the US-Soviet negotiations the prospective agree-ment on the elimination of Intermediate-range Nuclear Forces, the reduction of strategic armaments, or the imple-mentation of the Anti-Ballistic Missile treaty of 1972"

Until now, no European leader has been prepared to claim Europe's right to express a view on arms control talks which could directly affect its security, even though Europe has no legal standing in any of these bilateral negotiations. This may not be fighting talk, but it is symptomatic of the new mood in Europe after Reykjavik.

THE STRUCTURAL changes which have swept through the UK electronics industry in the last month may, in the limited sense of their timing, be described as coincidence. But when coincidence becomes an underlying trend and when four the sector succumb to the same urge to join forces with some-one else, it is hard to believe that something fundamental is

The most ambitious of these transactions was the agreement between the General Electric Company and Plessey on the fu-ture of a joint venture (elecommunications company, Other deals and pending changes over the last few months include:

The merger between Ferranti
and International Signal and
Control, the secretive US de-

fence company.

The decision by Northern Teiecom, the Canadian telecom-munications group, to acquire a 28 per cent stake in STC.

Several restructuring moves by GEC, particularly the pro-posed merger of its medical electronics division with that of Philips, and its expansion in the US avionics sector by the acqui-sition of a division of Lear Sie-

Thorn EMI's sale of its Ferguson television division - a deal which virtually completed the departure of UK companies from television production.

Thorn's proposal to find a partner for its Inmos semiconductor subsidiary, which is now being looked at by a number of

In stock market terms there is nothing surprising in the rash of activity. Since the second half of 1982, when British investors

#### **UK ELECTRONICS INDUSTRY**

# A shake-out, as the glamour fades

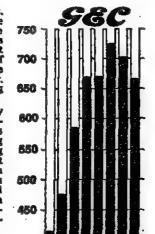
mance with electronics stocks. companies in the sector have constantly under-performed the rest of the market. Share prices kent pace with other parts of the economy - retailers, service companies and, more recently. engineering old-fashioned BLOUDS.

In the recession in the early 1980s, says a London fund man-ager. "electronics companies were one of the few exciting were one of the few exciting stocks to buy. They were being popularised by the Government as a growth area, but more than that, these businesses were in areas which were protected from many of the pressures on profits by public sector procurement in defence and telecommunications."

The decline in the stock mar-

ket's enthusiasm since then is to a large degree linked to the tougher operating conditions brought to bear on the compa-nies' public sector activities in nies public sector activities in recent years. The Government's liberalising broom has swept through the telecommunica-tions industry, opening up the market to more contractors and changing British Telecom from the position of herecalest the position of benevolent patron to demanding customer. In
defence, the steady expansion
of the early Thatcher years has
given way to a value-for-money
drive and a slow-down in goverroment anending.

The trong to the changes are also reflected elsewhere. In defence,
for example, the Government's



At the same time, international competition has become more prevalent in the British market, regarded by many as among the most open in the western world. This is particularly true in telecommunica-tions, where the country swing from trade surplus to deficit in 1983 and has been moving steadily further into the red on

decision to opt for the Boeing airborne early warning system (Awacs) rather than GEC's Nim-

rod was a blow to the domestic industry. The trade deficit in the electronic components sector leapt from £77m in 1980 to The new market pressures have become increasingly evident in the profits perform of the industry since the early 1960s, when several of the elec-tronics groups produced spec-

per cent in some cases over the last two years, at a time when companies in less glamorous traditional manufacturing have been running up profits increases of well over 15 per cent after the cost-cutting of the ear-

tecular results. Annual profits dustry. When you see a lot of growth of 30 to 30 per cent at merger activity such as we have that time has dropped below 10 had, you should always look at per cent in some cases over the the profit and loss account and think about what it might look like in a couple of years from

FERRANTI

Over the short term, industry executives believe that some of the alliances make industrial These are the figures that they will ease the process of ramade management act," says a senior executive close to the in-

Plessey joint venture, which an-alysts expect to be followed by closures, and cuts in the work-

"Mergers give you a great deal of latitude in accounting terms to push reorganisation costs below the pre-tax line," says one financial executive. "I would be surprised if this issue was not exercising the minds of some fi-nancial departments."

The longer term aspects of the reorganisations, however, are much more important for the underlying health of the compapies involved. What the deals the structural weaknesses of the UK industry - its limited in-ternational market base. Its narrow product lines and its growing anxiety over finance for research and development in a period of tighter profits and

government stringency.
At the heart of this strategy lies the issue of internationalisation, because in electronics, more than in most other industries, products tend to travel so easily and rapidly across na-tional boundaries. Given this ease of market access, success often depends on large volume sales; research costs are also high. These characteristics have been abundantly clear for years in those parts of the elec-tronics manufacturing industry not strongly protected by gov-ernment policies - computers,

consumer electronics and semi-conductors. In responding to the move to-

wards more open markets in their chosen niches, UK companies have some clear opportunilies, in defence, for example, Whitehall believes the British industry compares favourably with what is on offer from most other countries. In telecommu-nications, the UK electronics groups have concentrated their resources on a fast-expanding business which is likely to dou-

business which is likely to double in size around the world over the next 10 years.

To take advantage of this growth, however. UK manufacturers will have to graft some new skills on to their businesses in selling overseas and in finding unexploited product areas. It is notable that a current Stock Exchange favourite in the sector is Racal, a company which looked vulnerable to ny which looked vulnerable to takeover five years ago because of its lack of government-sponsored contracts, but which has since transformed its image by plunging into the extraordinari-ly buoyant car telephone busi-

At present, analysts do not see any other potential Racals among the leading British groups. On the contrary, the talk in the City is more about further rationalisation and international alliances than organic expan-sion. Plessey is widely tipped as a takeover target and there is some expectation of a further

regrouping in semiconductor manufacturing. After largely escaping the shake-out which swept through the rest of British manufacturing after the 1981 recession, it now looks as though the elec-tronics sector is in for a long pe-riod of similar treatment.

#### Speeded up dealings

From Professor D Bell.
Sir, - In the absence of any enaily recognised cause for the sudden fall of stock exchanges. looking for a scapegoat; and one obvious question is whether the speeding up of dealings by the use of electronic communications and displays (eg 'Big Bang' in London) may lead to instabil-

The Stock Exchange is difficult to interpret, because in normal times different sectors of the market behave indepen-dently, but currency exhange rates such as the pound-dollar can be checked by looking for changes in the behaviour of the longer term figures (monthly rates from the International Monetary Fund) and of the daily rates and spread of rates which are published in the Financial Times. Comparing the two twelve-month periods April 1976 - April 1977 and April 1986 April 1987 one finds that the average monthly changes in the pound-dollar rate were 1.7 per cent and 1.6 per cent respectively. The difference is not significant and these comparatively slow movements are controlled by 'sentiment', rational or irra-

If speculative activity (exem-plified by televison pictures of an individual making a substantial profit on the currency ex-changes in minutes) caused volvolatility ought to show as an increase in the daily range. But exemination of 17 days in January 1978 and 22 days in January 1987 showed average daily ranges of variation of 1.01% and 0.95% respectively, a difference which is probably not significant but if anything would suggest daily fluctuations are now reduced. The one factor which might disrupt either a stock exchange of a currency market would be the insolvency of a major operator, and for this reason central banks wish to introduce rules prescribing the minimum capital for any organisation trading in international

One may also question the real value of employing expert brainpower in hectic activity in pursuit of purely financial profit, but the question is not about the technology but about the human use of it. D A Bell 87 East End

#### Unjustified fall

Beverley N Humberside

Sir. - God forbid that taxpayers money should be used to stabilise equity prices as Professor Buiter (October 22) suggests. Political influence of that

#### Letters to the Editor

sort should be kept well out of the stock market. Any bureau-cratic hand, save perhaps that of the Bank of England, would

be a recipe for disaster.

But a problem remains because London's prices col-lapsed despite the UK economy looking better that ever and re-al progress being made in correcting deeply ingrained struc-tural problems. Of course some large and small UK companies are affected by developments in the United States, and the UK is

the United States, and the UR is affected by world events. But nothing happened to justify London's equity market fail. So what went wrong to inflict such losses on innocent share holders? Is the London market now no more than an extension of Well Street and Tolkyo and of Wall Street and Tokyo, and just as vulnerable to their panics? If so, can nothing be done
to protect the genuine longerterm UK investor from computer selling and the over-reaction of market makers?
We need to know precisely

why there was a panic reaction in London. Was it started by for eign selling? What part did UK institutions play? Was the new market system mainly to blame? And what part did the UK pri-vate investor play?

If the facts were known it might be worthwhile the major UK institutions considering whether to set up some buffer mechanism to bring a stabilising and protective influence to bear in a wholly irrational market extraoreparts. ket atmosphere. Such a mecha-nism might cause the perpetrators of the worst exce think twice; and it could be a factor to be built into computer programmes as a deterrent to their giving "sell at any price" instructions

Despite the internationalisation of markets London needs to be protected from the worst impact of disasters not of its own

38 Radnor Walk, SW3

#### Troubles in Tibet

From Mr D Callund Sir, - Your reporting on the recent froubles in Tibet has been good and I was pleased to read Robert Thomson's article

on October 15. Unfortunately, he follows the attitude of western journalists in general in saying that the Tibetans are pursuing the futile quest for independence.

In the post-war period, the old colonial powers, in granting independence to their past colonies, have failed to defend those countries which have

nalists adopt eastern block rhetoric in referring to the partisans in Afghanistan as 'reb-els'. Chinese action in Lhasa in 1950 (of which we have been so recently reminded) was an echo of Russian actions in Budapest

Both were examples of colo-nial repression which has to be

#### The Indian economy

From Mr D Schboi Sir. - Although I found Mi-chael Prowse's article on the In-dian economy quite informative and reasonably objective, the letter from Major Delens about it (October 21) was a very biased reaction to it. It clearly shows Major Delens's antagonism to-wards India and betrays his ignorance of the economic achievements of post-independence India.

Of course, one cannot deny that India, like many other countries in the developing world, suffers from corruption and many unnecessary bureau-cratic entrols that hinder the growth of trade and industry. It is true that there are millions who still live below the poverty line in miserable conditions in spite of the very significant eco-nomic growth. This is due to the opulation explosion which has population explosion which has been outstripping the rate of economic growth. The Indian government is definitely guilty of not doing enough to solve the problem of population growth, which is undermining the country's achievements in the industrial and economic field.

rial and economic field. Unlike Major Delens, I think India's priorities have been ex-actly right. The priority given to agricultural research and de-velopment and use of hybrid seeds produced the Green Revolution which has enabled the country to achieve self sufficiency in food in spite of the fact that India's population has more than doubled in the past 40 years. Nehru's emphasis on with the real with the expe developing heavy industry has laid the foundations for a sound manufacturing base. This, however, was accompanied by protectionist measures against for-eign imports, which was a bit overdone and resulted in inefficient manufacturing industries which took undue advantage of this protection and indulged in producing inferior goods at higher prices. With a populaton of over 300m, they were exploit-ing a very large "captive" mar-ket. For the last three years,

however, Rajiv Ghandhi's gov-erument has taken steps to lib-

ly the controls on imports. This should be welcomed and en-couraged as these are measures in the right direction and good for the future health of India's

Major Delens talks about the great gap between the cobscene wealth of a small minority and dire poverty of a very large proportion of the Indian annular ion" but ignores (or is ignorant about) the very large middle class that has emerged in medi-um sized businesses in the last two decades could be the envi of many nations. If the govern or many nations. It the govern-ment continues its policy of lib-eralising controls, there is a great future ahead for the new entrepreneurs and consequent-ly for India's economy. Daljit Sebbai Reform Club, Pall Mail, SW1

#### Misunderstood J-Curve

From Mr B Luckham. Sir, - Daniel Salem (Octobe 22) is quite right when he says dollar is preventing any im-provement in the US nominal trade deficit and undermining the expected J-Curve effects. The J-Curve shows that a once and-for-all currency devalua-tion will, after an initial deterioration in the nominal trade balance due to negative price effects outweighing positive vol-ume effects, lead to a reduction in a nominal trade deficit as imports and exports respond to relative price changes.

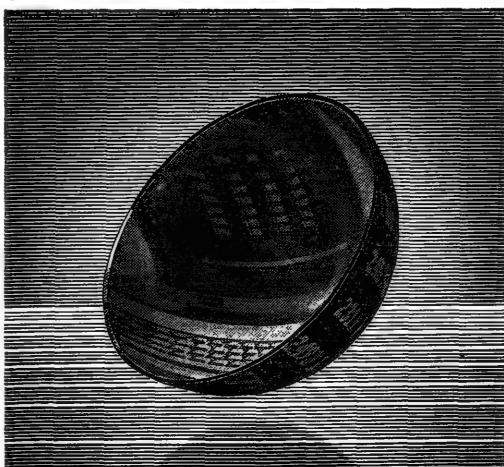
Ever since the dollar started to drop in 1985, economic com-mentators have assured everymentators have assured every-body that the US trade deficit would start to improve as the J-Curve took effect. The combina-tion of the dollar's steep fall and persistence of largementh-ly nominal trade deficits in the US, however, has led to the ef-fectiveness of the J-Curve being questioned, not to mention the fectiveness of economists!
In defence of the J-Curve it is

important to realise that it is a theoretical construction. Econdoes work providing that the exchange rate is the onlyvariable which chages. All other vari-ables - consumption, fiscal and monetary policy - are assumed equal. Obviously the assumption of ceteris paribus does not hold for the real world economy ted theoretical effect of the J-Curve however still holds true and a devaluation will eventu ally feed through into the nomi

been correct in believing in the positive effects of the J-Curve, but woefully wrong in assigning the timescale needed for any improvement to show thro This is a direct result of a failure to understand the assumptions used in the theoretical construction of the J-Curve

Bruce Luckham 150 Durasford Road, SW19

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## **FINANCIAL TIMES**

Monday October 26 1987

**UK** equities

firms 'will

in London

BY BARRY MILEY IN LONDON

BRITISH securities firms, led by

wort Grieveson 5%.
The voting was highly concentrated on the top three, which are all British firms in terms of management, although Capel is strictly speaking a subsidiary of

the Hongkong and Shanghal Banking Corporation.

market'

sustain lead



John Elliott in Jaffna surveys the damage in a shell-shattered city

### Breakthrough in Tamil stronghold

INDIAN ARMY commanders announced they had gained control of almost all main roads in the northern Sri Lankan city of Jaffna from Tamil Tiger ex-tremists after 17 days of fighting. India is sending some civil servants to set up a civil administration there.

This is a major breakthrough because it ends the Tigers' three-year domination of the city. However, it cannot be claimed as a total victory for India's peace-keeping force because as many as 1,200 Tigers are estimated to have escaped the Indian Army's net. There is also extensive sniper fire, plus a large number of live booby traps and bombs. which are limiting the army's effective control of the city.

Lt Gen Depinder Singh, head of India's Southern Command which is conducting the operation, said in Jaffna yesterday that apart from an area of less than 2 sq kms. "the rest of the town is now in our hands". Part of that 2kms was taken late yesterday afternoon when Indian claimed as a total victory for In-

of that 2kms was taken late yesterday afternoon when Indian troops established control over a long stretch of road in the north of the city.

The Indian campaign is almed at freeing the area from armed guerrillas resisting the three-month old Indian-Sri Lankan peace accord. sgreed with summer's Indian peace which preceded this summer's Indian peace initiative.

Public buildings, including a 30-year old Dutch fort now used by the army, and stylish old Dutch-designed courtyard bungalows set among paim trees and thick green foliage, have been bombed and burned beyond repair. a long stretch of road in the north of the city.

The Indian campaign is almed at freeing the area from armed guerrillas resisting the three-month old Indian-Sri Lankan peace accord, agreed with President Luring Learner

President Junius Jayawardene, on the Tamil ethnic crisis. Throughout yesterday, the si-lence of the shattered small city was broken by the sound of the army detonating booby traps and mines. Occasionally there was sniper fire, but there was none of the almost continuous

firing reported last week.
The streets were deserted apart from army patrols which stuck to the main thorough-

Regulators

an interest payment, lessening the chances of a downgrading. The l4-bank advisory committee is expected to resume discussions with the Brazilians in New York today.

US banks would have to make

specific provisions for Brazilian

loan losses. These could not

continue to be counted in their

primary capital, as were the

general provisions against de-

to discuss

Brazil's



fares. Shops were shut in streets scarred by the almost endless exchanges of mortar fire between the Tigers and the Sri Lankan forces which pre-

yond repair.
In the central hospital, which

As many as 1,200 Tigers are thought to have escaped the Indian Army's net, during the campaign to free the area from armed guerrillas resisting the three-month old Indian-Sri Lankan peace accord signed between

India and Sri Lankan President Junius Jayawardene (left). nied widespread shelling. They stressed they had taken exces-

stressed they had taken excessive army casualties because they had avoided strafing and bombing buildings. "We have operated with one and a half hands tied behind our back," said Gen Singh.

He said that 163 soldlers had been tilled and 770 merced. been killed and 778 wounded, compared with 600 casualties among Tigers and their sym-pathisers. Estimates of civilian deaths range between 60 and

In the central hospital, which has escaped with relatively little apparent battle damage, crying women complained of the army bombing and shelling houses and temples, and killing and wounding civilians. The accusations illustrate the problems the Indian forces will now face with the civilian population, which has been alienated by the offensive. The Tigers who have escaped the army's net around Jaffna are thought to include Mr V. Prabhakaran, the leader. They

spare more troops without de-pleting what it considers its essential army presence on its sensitive borders with Pakistan

and China.

There is now a risk of guerrilla warfare elsewhere on the peninsula, or in the east of the island, if the Tigers refuse an offer of an amnesty, or if their leaders refuse to lay down their arms and make India a peace

offer.

This could tie down a lot of the 16,000 to 20,000 Indian troops now on the island for a long period. "Once such an insurgency starts, anything could happen," said Gen Singh.

He also warned that "cleaning up the city of booby traps and mines will take some time - I cannot say whether it wil be two days or four or more."

Last night one Indian soldier was killed when an army lorry was blown up on a visit to 20,000 refugees in the city's main temple.

Gen Singh and other senior officers stressed that the army's action had not been a war, but an attempt to stop the Tigers undermining the Indian-Sri Lankan peace accord.

A Foreign Ministry official

A Foreign Ministry official added that India's offer of an amnesty to the Tigers was still open, along with a willingness to continue a dialogue with the group's leaders. group's leaders

ing women complained of the army bombing and shelling houses and temples, and killing and wounding civilians. The accusations illustrate the problems the Indian forces will now face with the civilian population, which has been alienated by the offensive.

However, the army chiefs de
Trabhakaran, the leader. They mervyn de Sitva, in Colombo, adds: Sources close to the Tigers which has been left in recent weeks without any active army occupation or policing by either stage of the smed struggle in the face of a much stronger fighting force. We cannot hold part of the peninsula in August for Jaffna any more, and we don't need to," the source said.

### GEC says crimes squad raid at Marconi was unnecessary

BY DAVID BUCHAN AND NICK GARNETT IN LONDON

debt status electronics group, said yester-day that it had conducted an in-ternal investigation of fraud al-By Alexander Nicoli in London legations at its Marconl Defence Systems subsidiary and found nothing that warrant-ed the raid on Friday by Minis-BRAZIL'S leading creditor last-minute efforts to thrash out a deal with the Brazillan Government before a key meeting of US banking regulators which hurt and annoyance. We

The move would force new losses on US banks and considerably worsen the chances of an

en the chances of an Members of the MoD's serious ending Brazil's crimes squad raided a laboratoeight-month-old suspension of in Portsmouth, southern Enlinerest payments on its \$68bn gland, belonging to Marconi Selonger-term debts to banks.

That, in the sould be care Radio Communication Selonging to Marconi Selongi Selonging to Marco longer-term debts to banks.

That, in turn, could mark a further weakening of strategy for handling the five-year-old developing country debt crisis.

Beautiful and mark on the strategy of the investigation, started late last year, into fraud allegations at Marconi. developing country debt crisis.

Banks have been attempting to strike an interim agreement under which Brazil would make

GENERAL Electric, the UK taking charge of an internal electronics group, said yester- MoD investigation and ordering

The inquiry began when an ex-employee of Marconi Underwater Systems, the sole UK torpedo-maker, sent the MoD some

The inquiry centres on allega-tions that Marconi companies The inquiry has developed into one of the most serious of recent years, with the Director of
Public Prosecutions (DPP) now

tions that marcon: companies
made excess profits on past
contracts, a type of
contract gradually being
phased out in favour of fixed

price arrangements. GEC attempted but failed in

He said, though, that if some

The MoD places contracts worth more than £250m (\$418m)

poli indicates that fand manag-ers are still widely using brokers as agents, and institutions are not employing their own in-bouse dealers any more than a year ago. Details Page 2; Editorial com-ment, Page 26

Continued from Page 1

#### Wall St counts the cost

Options to sell the Standard & Poors indices, which seemed to have little chance of heing called two weeks ago, shet up in value by 50- or evan 100-fold on Monday alone.

Dozens of traders who sold such options been ruined as a result - but the option clearing mechanism itself emerged over the weekend as one of the first places where cracks have become visible in the very foundations, not just the superstructure, of the US financial system.

perstructure, of the US finan-cial system.

Last Thursday, First Options of Chicago, the biggest options clearing house in the US, re-ceived a capital transfusion to cover the losses of options-writers wiped out in Monday's crash.

On Friday, the Chicago Tribune reported that \$100m in losses had been suffered by traders on the Chicago Board Options Exchange alone.
US individual investors

themselves are stunned: practically nobody showed up at many retail brokerages up and down the country which had decided to stay open on Saturday to cope with an anticipated flood of inquiries and perhaps even bay orders from small in-

Wall Street may now be of-fering 'bargain basement' stock prices. Merrill Lynch, along with many other brokers and investment institutions, have launched massive adverof the retail brokers privately agree that it will take a long time to restore the small inves-

tor's trust in Wall Street.

# THE LEX COLUMN

### Banging the big drum

Given the option, London's Stock Exchange would doubtless have chosen another time to be celebrating Big Bang's anniversary. At present, those involved in the London equity market find the new system's development over the past year rather less gripping than its performance over the past week. The conditions facing it have been so unprecedented that there is no telling how the old jobbing system would have coped, though one might guess that the result would have been a little less volatility and a lot less volume. BRITISH securities firms, led by Warburg Securities, are likely to continue to dominate trading in the London equity market, according to 120 leading UK institutional fund managers polled in a special FT opinion survey to mark the anniversary of the Stock Exchange's Big Bang on October 27, 1986.

In the survey, which was conducted by MIL Research Group, respondents were asked which firms, British or foreign, were expected to emerge as clear winners by 1990. The answers can be used to draw up the following popularity league table:

1. Warburg Securities 50%; 2. James Capel 43%; 3. Barclays de Zote Wedd 41%; 3. Barclays de Zote Wedd 41%; 4. Phillips & Drew 26%; 5. Hoare Govett 18%; 6. Nomura 11%; 7. Citicorp Scrimgeour Vickers 8%; 8. Cazenove 8%; 9. Salomon Bros 7%; 10. Smith New Court 7%; 11. Goldman Sachs 5%; 12. Kleinwert Grievesan 5%.

The voting was highly concep-

On the other hand, the system can take some credit for having functioned at all. The crisis threw into relief a central diffithrew into relief a central diffi-culty of the post-Big Bang mar-ket, whereby a couple of dozen competing market makers quote prices in full view of each other. Accusations of phones left off the book grew louder last week, but it appears that market mak-ers did their best to service gen-nine institutional clients. What they may not have done is pro-

less volume.

ers and their deat to service gennine institutional clients. What
they may not have done is provide a conscientious service to
brokers acting for private clients; and in fighting for survival, they certainly departed from
the rules in giving a brusque response to fellow market makers
seeking to take advantage of
their prices.

Allowing for a serious question mark over private client
service, the system seems to be
doing its main job of keeping
the users happy. The great majority of institutions polled in
the FT survey published today
prefer the new system to the
old, for the simple reason that it
is cheaper to deal. The stated
drawbacks have to do with conflicts of interest, the lack of personal service and the decline in Ranking Corporation.

Nomura's appearance as the top-rated foreign securities firm appears to imply that many British fund managers are more impressed by the patient build-up of the Japanese than by the more aggressive, but erratic, policies of the top US investment banks. Two US houses, Salomon and Shearson Lehman, after expanding rapidly last year, have just announced personnel cutbacks in Landon.

Ing rapidly last year, have just announced personnel cutbacks in London.

The 120 fund managers were unimpressed by the other leading US securities firms. Morgan Stanley received four votes, Shearson Lehman two and Merrill Lynch only one.

One year after Big Bang, which involved the abolition of fixed commissions and the introduction of a new screen-based quotations system, 76 per cent of the fund managers and they believed the revolutionary changes had been worthwhile.

But comparisons with a similar survey conducted just before Big Bang suggest that fund managers are continuing to deal on the traditional commission-paying basis to a much greater extent than they had anticipated.

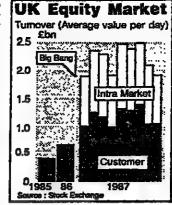
Only a quarter of the institutions do more than 50 per cent of their business on a "net' basis directly with market makers. The neal indicates that fond manage. firsts of interest, the lack of personal service and the decline in the quality of research.

The last problem may prove temporary. Most institutions put lit down not to an increased concentration on deal-making, but to the fact that the research has become superficial. This will be due partly to increased demand for analysts, which has inevitably been satisfied by inexperienced personnel, and partly by the eclipse of fundamental research in the face of outrageous share prices. Just lately, both problems appear to have solved themselves. due partly to increased demand for analysts, which has inevitably been satisfied by inexperienced personnel, and partly by the eclipse of fundamental research in the face of outrageous share prices. Just lately, both problems appear to have solved themselves.

Gilt-edged

It is probably wrong to measure the success of the newfan.

It is probably wrong to measure the success of the newfan-sure the success of the newfan-gled gilt-edged market in Lon-don by the losses of the 25 market makers which now oper-ate in it. The thought that they have collectively lost perhaps to operate the new system in the general election, which marked



the beginning of the slide in gilt prices, can only superficially be read as good news for their cus-tomers. Institutional investors

are now dealing on narrower spreads and for nil commissions, which can be taken as evidence that Big Bang did the trick in bringing competition in-

Yet it is to no-one's long-term benefit for the market makers to continue to be weakened by losses. As everyone knew at the outset, and as Lloyds Bank acknowledged by pulling out in June before the worst of the slide, there are far too many of them. From tomorrow, yet more potential market makers will be able to apply to the Bank of England. Meanwhile the bulk of the business is being handled

the business is being handled by a minority of the existing players. But the long-expected (and now much needed) shake-

out has shown few signs of arriv-

It is easy, but probably not en-tirely fair, to criticise the Bank of England for allowing this sit-uation to come about. The first argument is that the Bank should have imposed tougher standards on market makers. Yet it is hard to see how it could have justified stricts rules

tive in offering assistance to market makers afterwards. Internationalisation

run on harsh commercial lines the Bank must stand back and deal with each market maker on an equal and arms-length basis,

To that end, the method of new

To that end, the method of new stock issues ought to move more towards US-type auctions from the present mixture of old and new style funding. The Bank could not then be accused of supplying stock while knowing that prices were about to be knocked by some piece of bad news, or of being over-protective in offering assistance to

There is a strong perception that Big Bang has strengthened London's position as an international financial centre. The breakdown of barriers between specialist financial firms has clearly helped some foreign banks, such as Citicorp, to put together financial conglomerates in the City of London which ates in the City of London which would not be permitted in their would not be permitted in their own country. It has also strengthened the position of UK players, such as S.G. Warburg, which want to be able to run with the big boys in the global capital markets. An investment bank or a commercial bank can do considerably more in Losdon than it can in New York or. Tokyo, the world's two biggest capital markets, and the liberal policies of the UK regulators, when combined with traditional advantages such as the City's advantages such as the City's position in world time zones

and its communications net-work, have enhanced London's importance as a world financial

But its success to date has had little to do with the ingenuity of its own financial institutions. UK commercial banks and merchant banks have been slow to conquer the international marketplace, contributing only marginally, for example, to the success of the London-based Euroboular and Euroboul markets London has presented as kets. London has prospered as a financial centre because it is a convenient place through which convenient place through which non-UK firms can channel their business. City firms point with pride to anecdotal evidence about the volume of foreign equity trading which is being done in London versus domestic markets, and the growing amount of international money which is being run out of London. But the key to the City's international success has less to do with Big Bang than with its tradition-al attitude of laissez-faire. The longer it takes to formalise self-regulation, the bigger the risk of a bureaucratic stifling of the City's biggest advantage.

# begins today. The regulators are expected to discuss downgrading Brazil's debts to "value-impaired status. The more mould form

MoD investigation and ordering Friday's search.

Mr George Younger, the Defence Secretary, came under pressure yesterday to make a full statement in Parliament about the inquiry. A two-day debate on defence is due to begin tomorrow during which Opposition MPs will raise the affair and its ramifications for the defence budget.

internal company documents. considerably since then to involve other divisions of Marconi," a ministry spokesman said yesterday.

the High Court on Friday to block the search warrant even-tually used at Portsmouth. It may challenge the legality of that warrant in the courts again this week.
The statement by Mr Lester

The statement by Mr Lester said GEC was known as an honourable, honest and straightforward company and, as the UK's largest manufacturing group, "will give full support to our employees and managers if they are unfairly harassed or impugned."

He said though that if some

one had broken the company's rules or the law "we will take, or fully support the taking of appropriate action."

a year with Marconi companies, and Defence Systems, which employs 5,000, is the prime con-tractor for the troubled Fox-hunter radar system in the Tor-

#### Thatcher ready to resolve fight sions with the Brazilians in New York today. The Inter-Agency Country Exposure Review Committee, which begins its regular meeting in Washington today, brings together staff of the Federal Reserve, the Comptroller of the Currency, and the Federal Deposit Leutrange Comparation over Conservative chairman

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

posit Insurance Corporation.
Its purpose is to ensure that MRS MARGARET THATCHER, US banks, which are overseen the British Prime Minister, will variously by the three bodies, this week resolve an unusually depending on their charter, share essentially the same regulatory treatment of their loan covernment by deciding whether the Treatment of their loan or Lord Young the Treatment.

latory treatment of their toan portfolios.

Though the agency could decide to lower a country's loan status because, as in Brazil's case, interest is more than six months overdue, officials say that the committee does not take a rigid approach.

It could decide to delay a downgrading if a country had economic reforms in train or was in serious negotiations

Some bankers believe the in. Some bankers believe the interagency committee would be unlikely to downgrade Brazil, given the fragile state of the world's stock markets, since a deterioration in the Third World debt crisis could make bank shares even more vulnerable.

Its banks would have to make the county and a Cabinet world a give him too much influence and produce a conflict of interest as the chairman's duties include raising party funds from British industrialists and financiers.

This conflict may be resolved by transferring responsibility for some regulatory decisions to Mr. Kenneth Clarke, Lord Young's deputy and a Cabinet.

Young's deputy and a Cabinet

ated with a furious public argument between rival advertising of Saatchis noted that his company was challenged by two othagencies about their contribution to the Conservatives' elec-

A vigorous counter-attack has been mounted over the weekend by Saatchi and Saatchi, the world's largest agency which recently ended its near 10-year association with the Tories because of the growth of its other business involving the Government.

Bell and Young and Rubicam, but acknowledged that the interventions of "friends from the past" had contributed to altering some of the balance of the final week of the campaign. However, he stressed that all the adverts were handled by Saatchis.

Associates of other advisers, associates of other accisers, including Young and Rubicam and Mr Tim Bell, formerly with Saatchis and now with Lowe, Howard-Spink and Bell, have claimed they had an important say in campaign decisions. Saatchis have released an exchange of letters with Mrs Thatcher in which she says the group presented Tory policies "skilfully and effectively." She

also notes how Saatchis is a re-markable example of how enterprise can transform a compa-The attack was continued at a

weekend conference on the election campaign at Essex University when Mr John Sharkey

This battle has become tied in with the debate over the party chairmanship as Mr Tebbit has publicly endorsed Saatchis and Mr Bell is a close ally of Lord Young, who was put into Conservative Central Office as the campaign started.

At the Essex conference, Mr Tebbit implicitly criticised Lord Young and other advisers, saying too many cooks can al-ways spoil the broth -especially if some of them are intent on trying their own recipes without talling the chaff telling the chef."

At the same conference La bour's advertising advisers admitted that their objective had been to push the Social Democratic-Liberal Alliance into er agencies. He questioned the cratic-Liber versions offered on behalf of Mr third place.

Continued from Page 1

### US rules out concessions

summit as now being up to the Soviet Union. There is an invitation open to Mr Gorbachev. When he is prepared to accept it, we will be ready to receive

him," he said.

Mr Shultz made it clear that ed discussing plans for a fol-he regarded the whole issue of a low-up in the Soviet Union in summit as now being up to the 1988.

Mr Genscher also expressed his happiness with the agree-ment reached in Moscow on him." he said.

Mr Hans-Dietrich Genscher.

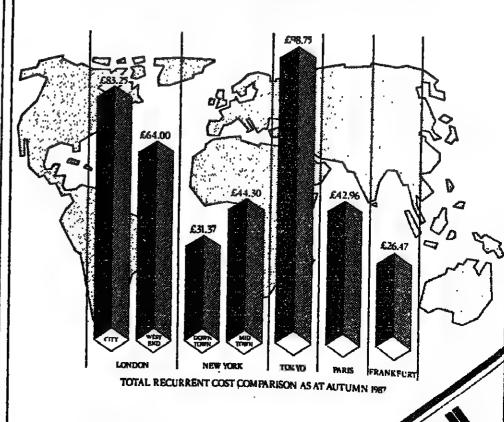
the West German Foreign Minister, expressed his own confidence that a summit in the US would still be called this year, on the grounds that Mr Shultz and Mr Shevordnadze, US Foreign Minister, had already start-

tising campaigns, suggesting that buying stocks had some-how become a patriotic duty. 'We're still bullish on Ameri-ca', proclaim the advertisements from Merrill. But most

 In London, Mr Nigel Law-son, the Chancellor of the Ex-chequer, offered no weekend comment on the stock market collapse and other Treasury ministers were similarly si-

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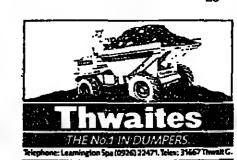
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### SECTION II – COMPANIES AND MARKETS **FINANCIAL TIMES**

Monday October 26 1987



INTERNATIONAL BONDS

### Market makers run for cover as lean times get tougher

BY STEPHEN FIDLER IN LONDON

AMID all the noise in the world's fi"You can still do \$100m of bonds but just over 9 per cent. Further gains surely of the penalty the Eurobond for Bell Resources, the mining and that the bonds had fallen to dission. Merrill received only one telex nancial markets last week, in the that's not to say you'll like the price are ahead if Salomon Brothers' Mr market pays for the lack of commitenergy arm of Mr Robert Holmes à counts of 10 per cent or more, acof complaint at the move. background there was a familiar you get," said one dealer. sound: that of Eurobond traders

week, the caution of the Eurobond was understandable. houses was understandable. But they have again emphasised the fragility of liquidity in the Euro-bond market which was dramatically underscored in the summer when the US announced it intended to prices. perminate its tax treaty with the Netherland Antilles

Last week brought immense conrunning for cover.

For a large part of last week the
Europond market was effectively
shut down. Even on Wednesday, a
positions in the Treasury market—

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Europond market was effectively
shut down. Even on Wednesday, a
positions in the Treasury market—

Europond market was effectively shut down mar relatively calm day, between a quarter and a half of the registered to be making markets.

In the widespread disarray of last the cention of the Furnhead to the cention of the centi

> In the absence of an alternative rationale, traders were guided by a new market rule; bond prices move in the opposite direction to share

Prices of Treasuries rose sharply over the week, with the yield on the bond market, new issue followed

Henry Kaufman is to be believed. He predicts the long bond yield may decline to 8 or 8% per cent by the bonds are expected to be modest, ary fears brought about by the

share collapse.

Price gains in the Eurodollar bond market were of course more modest. Its lack of liquidity meant that yield spreads of Eurobonds Plans for numerous other equityover Treasuries widened significantly, a trend reinforced by the understandable preference of investors, who had just dived out of a collapsing stock market, for government rather than corporate boxels. lapsing stock market, for govern-ment rather than corporate bonds.

The US Treasury market also 30-year bond swinging by an enorge faced liquidity problems but they were of an entirely different order.

The US Treasury market also 30-year bond swinging by an enorge new issue to market. A total of \$1bn of the week must have been Merrill been slower to move.

Lynch's decision to withdraw issues of convertible bonds totalling A\$1bn share price since launch had meant times get tough.

ment of many of its traders.

If new issues of straight Euro-Court's Bell Group.

Merrill cited "unprecedented volatility and adverse changes in world financial market conditions" as the reason for its decision.

It said it had been discussing possible alternatives with Bell Re-sources over the issue, which was convertible into BHP shares, but The withdrawal certainly came

late in the day. The deal, launched on October 7, had not been signed but terms had been fixed since Oc-Terms on others, such as the Louin sterling (\$83m) deal for Avis, were substantially revised.

But the most controversial move

Town 13. Initially, the £50m sterling and the A\$200m portions had sold well, though the \$550m tranche had

cording to Merrill which said it was the only market-maker.

The move was said to have angered Bell, which was expected to use the proceeds to relinance existing debt. It also upset a number of co-managers who had successfully placed the bonds. On the other side, "has reluctantly concluded that it is not possible to proceed with the issuggested Merrill had been sitting on a large position in the bonds and that had been an important factor

> Not so, says the US firm. Agree-ing that it was unusual action, Mer-rill officials cited unprecedented uncertainty in all major financial mar-

in its decision to pull the deal.

Merrill's policy is not to discuss the size of its book. Whatever the book was - whether it was showing a loss or a profit - that was not the reason for the decision," said Mr Cliff Dammers, executive director

Still in the world of equity-linked securities, the London-based market in Japanese equity warrants reopened on Friday after its closure on Thursday afternoon, when the market was overwhelmed with sell

The market reopened with its dealing spreads widened to two points from 1% and the size of a round lot down to 25 warrants from 50. Today, the 10 market makers meet to discuss last week's frenetic

### Stock price fall sparks bid for **Triangle**

ter May, who used "junk" finan-cing to build Triangle industries into the world's largest packag-ing company, are seeking to ex-ploit the collapse in stock prices to take all but complete control of Triangle for \$625m in cash or a quarter of its annual sales.

Mr Peltz and Mr May, who are chairman and president of Triangle and are among the highest-paid executives in the US, said they had proposed to buy the Triangle shares they do not own for \$25 cash apiece and 510 in a low-grade security.

Triangle, which was trading at around \$40 a share before the market started falling 10 days go, closed last week at \$28%, up

\$2% in response to the offer. Triangle, which is 1984 had only \$290m in sales from copper wire, cable and jukeboxes, were transformed by highly leveraged acquisitions under Mr Peltz and Mr May, who currently own 13 per cent of the company but con-tral 56 per cent of its votes through a heavy-voting issue of preferred stock.

With the aid of high-yielding bonds issued by the calebrated California financier Mr Michael Milken, the two men bought National Can, the glass and metal container manufacturer, and the packaging arm of American Can.

The offer is being made by CJI Industries, the former Central Jersey Industries, a bankrupt railroad company which Mr Peltz and Mr May used last year as a shell to raise some \$300m in new acquisition financing.

Under the offer, Mr Pelts and Mr May will swap their holding in Triangle for a new issue of CJi preferred stock which will give them 80 per cent of the voting rights of the new company.

INTERNATIONAL CREDITS

### Bankers poised for rapid return to straightforward loans

BY ALEXANDER MICOLL IN LONDON

FEW PEOPLE could be said to be rubbing their hands with glee at the turnoil in the world's financial markets last week. But hankers in the Eurocredit market are cautiously predicting that it could presuge any form of con the resurgence of the good old-fash uncertain times. ioned bank loan.

pents must be reluctant to make financially appealing.

The effect on pricing of loans is

Syndicated loan business has, tion between banks for mandates.

trend to higher margins. In France, Syndicated loan business has, A more immediate effect was to stimulate perhaps record activity in insurance of Eurocommercial paper, particularly in top-rated issues, as investors sought to put their money in top-quality, short-term instruments. Falls in interest, rates also for market and in top-quality, short-term instruments. Falls in interest, rates also for market crash is likely to put an end for the time being to put an end for the time being to put an end for the time being to Eurocordit financing for such transactions as leveraged buyouts, and the following the collapse of this year, following the collapse of the floating rate note market and to turn fully into a lenders' market, and the commercial paper, particularly in top-rated issues, as indicating rate note market and top-quality, short-term instruments. Falls in interest rates also for a facility involving domestic and citicorp Interest.

Syndicated loan business has, however, already been picking up this year, following the collapse of the floating rate note market and to turn fully into a lenders' market, including the collapse of the floating rate note market and turn fully into a lenders' market, including the collapse of the floating rate note market and turn fully into a lenders' market, including the collapse of the floating rate note market and turn fully into a lenders' market, including the collapse of the floating rate note market and turn fully into a lenders' market, including the collapse of the floating rate note market and turn fully into a lenders' market, including the collapse of the floating rate note market and turn fully into a lenders' market, including the collapse of the floating rate note market and basis points above that level. The facilities typically in facilities typically in the floating rate note market, is to market, is to find turn fully into a lenders' market. However, a small upward transit in the floating rate note market and basis points above the US and basis points above the level. There is a utilisation f on to the UK fashion for restructur-

france are at 10 basis points over

complex funding packages involving the issue of equity. It may also forward longer-term loans, since slow overall business somewhat, since all financial market participants must be reluctant to make financially appealing.

the sake of building a relationship. der panel, and including an Ecu points over 50 per cent. Increased demand from borrowers are could increase the trend towards facility fee of 4 basis points, and borrowings in Eurocurrencies carry points over 50 per cent. British borrowers are could increase the trend towards facility fee of 4 basis points, and borrowings in Eurocurrencies carry points over 50 per cent. British borrowers are could increase the trend towards facility fee of 4 basis points, and borrowings in Eurocurrencies carry points over 50 per cent. British borrowers are could increase the trend towards for size of the points over 50 per cent. British borrowers are could increase the trend towards for size of the points over 50 per cent. British borrowers are could increase the trend towards for size of the points over 50 per cent. British borrowers are could increase the trend towards for size of the points over 50 per cent. British borrowers are could increase the trend towards for size of the points over 50 per cent. British borrowers are could increase the trend towards for size of the points over 50 per cent. British borrowers are could increase the trend towards for size of the points over 50 per cent. 450m five-yeer standby. There is a facility fee of 4 basis points, and borrowings in Eurocurrencies carry no margin over London interbank offered rates (Libor), while those in franca are at 10 basis points over five years at the banks' option. The

the Paris domestic equivalent, Ploan is underwritten and provided bor. There is a utilisation fee of 3 basis points up to 50 per cent usage and 8 basis points above that level.

Valeo, a vehicle paris maker, is to do ther lenders. There is a commit-

10 basis point commitment fee and

a margin of 30 basis points over Li-

EUROMARKET TURNOVER (San)

All these Bonds having been sold, this announcement appears as a metter of record only.



The Nippon Credit Bank, Ltd.
(Kabushiki Kalaha Nippon Saikon Shinyo Ginko)

U.S.\$150,000,000

1¾ per cent. Convertible Bonds 2002

Asian Tranche in the amount of U.S.\$50,000,000

Nippon Credit International (HK) Ltd.

**Daiwa Singapore Limited** 

Sanyo Securities (Asia) Ltd.

The Nikko Securities Co. (Asia) Limited Yamaichi International (H.K.) Limited

BT Asia (H.K.) Limited

**Baring Brothers Asia Limited** 

Hokuriku Finance (H.K.) Limited

Jardine Fleming (Securities) Limited Samuei Montagu & Co. Limited

KOKUSAI Securities (Hong Kong) Universal (U.K.) Limited

Wako International (H.K.) Ltd.

All these Bonds having been sold, this announcement appears as a matter of record only,



The Nippon Credit Bank, Ltd.
(Kabushiki Kaisha Nippon Saiken Shinyo Ginko)

U.S.\$150,000,000

1¾ per cent. Convertible Bonds 2002

**European Tranche in the amount of** U.S.\$100,000,000

Nippon Credit International Limited

**Nomura International Limited** 

Morgan Stanley International Salomon Brothers International Limited

Yamaichi International (Europe) Limited **County NatWest Limited** 

**Deutsche Bank Capital Markets Limited** Goldman Sachs International Corp. **Merrill Lynch Capital Markets** 

Norinchukin International Limited Swiss Bank Corporation International Tokyo Securities Co. (Europe) Limited.

S. G. Warburg Securities

Banque Paribas Capital Markets **Credit Suisse First Boston Limited** Dresdner Bank Aktiengesellschaft Kleinwort Benson Limited **Morgan Guaranty Ltd** 

Shearson Lehman Brothers International **Taiheiyo Europe Limited** 

Union Bank of Switzerland (Securities) Westdeutsche Landesbank Girozentrale

Yamatane Securities (Europe) Ltd.

Cosmo Securities (Europe) Limited

Kosei Europe Ltd.

Marusan Europe Limited

### Rey joins fray for Sulzer stake

the voting capital of Sulzer, the grossly exaggerated.

to sell some 35 per cent of Sulzer's 199,000 registered shares at a price exceeding SFr8,000 a are that his purchase of a subshare. This would imply a total price of between SFr550m and SFr550m and Treston (1995) to 1990 the state of the state o

Swiss bank then approached Mr Swiss company.

Rev. who announced on Friday Mr Rey's staff is already ex-Rey, who announced on Friday
that he was interested in principle in taking a stake in Sulzer.

However, he posed three condipose of Ateliers de Con-

the voting capital of Sulzer, the Swiss engineering company, built up by Mr Tito Tettamanti. as Lugano-based lawyer, and his associates.

After talks with Credit Suisse, which has been advising Sulzer, were being traded at SFr5,700 has been advising Sulzer, were being traded at SFr5,700 his problem. Tettamanti last week offered in Zurich on Friday.

Mr Tettamanti last week offered in Zurich on Friday.

Other value of Strate grossly exaggerated. The purchase of the Bally it from the purchase of the Bally the purchase of the Bally risen steadily in price earlier shoe company and its subsequent sale to the Oerlikon-Buehrle group. Mr Rey has built up a diversified financial and industrial group under Omni, his curich holding company. Other conditions posed by Mr

SFr600m (\$366m to \$400m). It should ensure Sulzer's con-Credit Suisse and another big tinuation as an independent

tions. structions Mecaniques, the en- Winterthur-based group against One was that the price had to gineering group based at Vevey the wishes of the Sulter board.

BY WILLIAM DULLFORCE IN GENEVA

MR WERNER REY, the Swiss fibe right. In a letter to shareholders last week, Sulzer deholders last week, Sulzer deholde reportedly made a SF130m prof-

In its letter to shareholders last week Sulzer said it was applying its juridical right to ensure that voting rights remained with registered shareholders and would not be transferred to subsequent buyers of registered It includes Inspectorate Inter-national, a services company

Before selling, shareholders were asked to contact the management, which was ready to as sure the placing of shares with long-term placements.

August, Mr Rey bought Jean Frey, Switzerland's third bigready given an assurance that he would not buy a stake in the Winterthur-based group and the state of the which could be registered. ducing it from the previous ceiling of 3,000 imposed in May.

### Nobel lifts profits 40% at eight months

items) reached SKr305m (\$47.9m), compared with SKr218m last year, and full-year profits (after financial items) are expected to be SKr550m, up

NOBEL INDUSTRIES, the Swedish chemicals and armaments group, reports a 40 per cent increase in profits for the first eight months of of this year, as its ordnance, pulp and paper chemicals, and adhesives and paints operations showed strong improvements.

Group profits (after financial items) reached SKr305m (347.9m), compared with SKr218m last year, and full-year profits (after financial items) operating well, and as the formal profits after financial items operating well, and as the formal profits (after financial items) operating well, and as the formal profits (after financial items) operating well, and as the formal profits (after financial items) operating well, and as the formal profits (after financial items) operating well, and as the formal profits (after financial items) operating well, and as the formal profits (after financial items) operating well, and as the formal profits (after financial items) operating well, and as the formal profits (after financial items) operating well, and as the formal profits (after financial items) operating well and profits (after financial items) operations of the profits after financial items in the pulp and paper chemicals division rose by 39 per cent, to SKr210m, while invoiced sales rose by 24 financial items in the pulp and paper cent, to SKr210m, on static sales of SKr789m, chiefly operating operations and paper chemicals division rose by 38 per cent, to SKr102m, on static sales of SKr789m, chiefly operating operations and paper chemicals division rose by 38 per cent, to SKr210m, while invoiced sales rose by 24 financial items in the pulp and paper chemicals division rose by 38 per cent, to SKr102m, on static sales rose by 24 financial items in the pulp and pape

specialising in quality control, and a 40 per cent stake in Swiss Cantobank (International). In

est publisher, for SF1210m. Mr Alfred Sulzer, company

(\$47.9m), compared with bleaching chemical plants in SKr218m last year, and full-year profits (after financial items) are expected to be SKr550m, up 19 per cent from the 1986 figure of SKr461m.

Group sales rose 11 per cent, fors) showed a 17 per cent in two (\$47.9m), compared with bleaching chemical plants in The Indian order has also resulted in a pick-up in the chemicals and explosives division, which increased sales by 14 per cent, to SKr625m, and yielded a profit of SKr17m, compared with bleaching chemicals plants in The Indian order has also resulted in a pick-up in the chemicals and explosives division, which increased sales by 14 per cent, to SKr625m, and yielded a profit of SKr17m, compared with bleaching chemical plants in The Indian order has also resulted in a pick-up in the chemical pasts in cents of SKr16m.

However, pesticides (cents) has a first order has also resulted in a pick-up in the chemical sales and explosives division, which increased sales by 14 per cent, to SKr625m, and yielded a profit of SKr17m, compared to SKr960m.

improvement was increased de-mand from the pharmaceuticals

Acquisitions last year in France and Italy have helped to boost the adhesives and paints division, where profits rose by 46 per cent to SKr205m and sales rose by 27 per cent to SKr24bn.

pesticides (due to the poor weather) has resulted in losses of SKr16m for the specialty chemicals division, which last year showed a profit of SKr47m.

#### Advance at Osaka Sanso

By ien Redger in Tokyo

PRE-TAX profits of Osaka Samso (OSE), the Japanese industri-al gases group in which BOC of the UK has a controlling posi-tion, rose by 30.2 per cent to Y746m (\$5.2m) in the six months to September 30.

However, OSK, Japan's third-largest gases group, said the improvement was largely because of the reduction of interest charges following advance repayment of debts. The company has repaid Y3.8bn in borrowlings from the proceeds of issues of convertible bonds and bonds with warrants.

Operating income dropped by 54.1 per cent, to Y20.23bn,

The bank said that return on Christiania.

NKr904m in 1986, because of the downward pressure on the interest margin.

NKr904m in 1986, because of the downward pressure on the interest margin.

NKr904m in 1986, because of the downward pressure on the interest margin.

NKr904m in 1986, because of the downward pressure on the interest margin.

NKr904m in 1986, because of the downward pressure on the interest margins in the second four-month period, operating profits also considerably greater losses in the domestic bank branch network and several large-scale projects.

The bank said that return on Christiania.

Christiania is projecting the year-end outlook to bebleak, due to considerably greater losses in the domestic bank branch network and several large-scale projects.

The bank said that return on Christiania is proup the figure was lower at 104 per cent.

Christiania is projecting the year-end outlook to bebleak, due to considerably greater losses in the domestic bank branch network and several large-scale projects.

The bank said that return on Christiania is projecting the year-end outlook to bebleak, due to considerably greater losses in the domestic bank branch network and several large-scale projects.

The bank's total assets increased by NKr16.9bn, or 17.7 per cent, downward present margin.

The bank said that return on Christiania is projecting the year-end outlook to bebleak, due to considerably greater in considerably greater in the downward present margin.

NKr912m in 1986, Christiania is projecting the year-end outlook to bebleak, due to considerably greater in the downward present margin.

The bank's 104 per cent.

### Setback for Christiania Bank

BY KAREN FORSLI

CHRISTIANIA BANK, Norway's second largest bank, saw operating profits fall 20 per losses and taxes divided by cent to NKr727m (\$109.7m) on group earnings of NKr42.58 a share in the first eight months of the year, compared with NKr304m in 1966, because of the downward pressure on the interest margin.

In the second four-month period, operating profits also branch network and several second four month period, operating profits also branch network and several

Norwegian industrial group, reports a fall in profits before extraordinary items in the eight months to the end of August, to NKr146m (\$22m) from NKr160m

Turnover for the group during the period reached NKr3.5bn, compared with NKr2.5bn in 1986. For the whole of the year, Kvaerner expects a turnover of

Evacrner expects to post year-end profits of NKr300m,

#### **US** broker examines **Jardine** retreat

BEAR STEARNS, the Wall Street securities trader, is ex-Street securities trader, is examining legal remedies against Jardine Matheson, the Heng Kong trading house, for withdrawing its \$330m offer to buy 20 per cent of the firm.

The deal is the latest of a wave of transactions to collapse since Monday's world-wide stock market crash. But Bear Stearns, pre-eminent among the firms specialising in the body demoralised trade in takeover stocks known as risk arbitrage, moved quickly to dispel the cloud over its name left by Jardine's sudden

departure. Mr Alan Greenberg, Bear Starus' chief executive, said:
"Notwithstanding recent developments in the financial marlets, flear Stearns' financial
position is about the same as it was on September 25, 1987, when Jardine agreed to make

its offer."
The firm had hired new peo ple and staff was coping with back-office chaos caused by re-cord trading turnover. In some ways, we are a stronger firm today than we were before are also exploring all of our le-

are also explaining an other fe-pardine Strategic Holdings, a Jardine subsidiary, had an-mounced earlier that it was abandoning its most ambitious recent diversification and would drop its tender offer for would drop its tender offer for up to 20 per cent of Bear Stearns at \$23 a common share and \$228.72 per preferred

share.
Mr Brian Pewers, managing director, said that Jardine "was not bound to proceed" and the deal was simply "no longer in shareholders' interests."

Though regarded as one of the ablest traders on Wall Street, Bear Stearns has seen its stock price fall further than most other securities stocks.

its stock price fall further than most other securities stocks - to just over \$12 on Friday. Bear Stearns invests aggressively in secual and potential takeover stocks and these have tumbled because the market fears that even agreed deals will not be completed.

Arbitrageurs, forced to liquidate big holdings to replenish their lenders' collateral, are selling out of takeover stocks so that some - such as Telex, currently being pursued by MrAsher Edelman - are at a discount of as much a third to

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#### Profits and sales setback at Arbed

ARBED, the Luxembourg-based steelmaker, has announced a sharp drop in sales and a LFr1.76hm (\$45.2m) net loss for the first half of 1987. The net deficit, the group's first for three years, comes mainly
as a result of "very large writedowns" made during a difficult trading period, said Mr Emmanuel
Teach, group president.

Turnover for the first six months was LFr25.1bn, a 21 per cent decline from the same period last year, while operating profits – before debt charges and depreciation – fell

from LFr2.5bn to LFr1.8bn. Cash flow slipped from LFr2.9hn to LFr600m over the same period, while the bottom line swung into loss from the LFr602m net profit recorded in the previous first half, aging uncertainties created by the Despite this set-back to our results. European Commission's attempts by comparison with the same peri- to liberalise the EC steel market. corded in the previous first half. Despite this set back to our results od in the previous year, our finan- and member states' failure to agree

no problems in financing our in-vestments," said Mr Tesch. These factors led to an average 15 Other reasons for the decline in-eluded falling world steel demand, compounded by a 10 per cent de-

port competitiveness by a weak dol-lar, and alleged dumping of steel in the EC by low-cost Third World pro-

cial situation is secure and we have on a co-ordinated plan to cut overca-

the damage inflicted on Arbed's ex- cline in deliveries, said Mr Te



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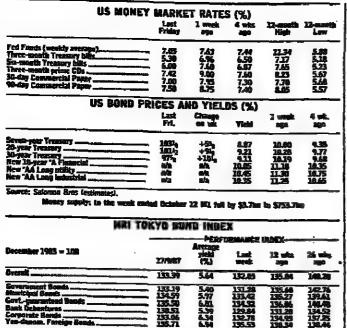
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**US MONEY AND CREDIT** 

# Flight to quality drives down rates

rates on short-term government securities by as much as 160 to 175 basis points to around 5.30 per cent. As fear spread that the ly removing its restrictions on equity rout would trigger a recession, investors piled into some plus portfolios of government accurities. per cent. As fear spread that the

naked panic.

A flight to credit markets and to bid aggressively in the marto quality drove down interest ket place. But soaring prices on rates on short-term government by heightened investor demandsecurities by as much as 160 to The Federal Reserve helped 175 basis points to around 5.30 ease the pressure by temporarian to the federal Reserve helped 175 basis points to around 5.30 ease the pressure by temporarian to the federal Reserve helped 175 basis points to around 5.30 ease the pressure by temporarian to the federal Reserve helped 175 basis points to around 5.30 ease the pressure by temporarian to the federal Reserve helped 175 basis points to around 5.30 ease the pressure by temporarian to the federal Reserve helped 175 basis points to around 5.30 ease the pressure by temporarian to the federal Reserve helped 175 basis points to around 5.30 ease the pressure by temporarian to the federal Reserve helped 175 basis points to around 5.30 ease the pressure by temporarian to the federal Reserve helped 175 basis points to around 5.30 ease the pressure by temporarian to the federal Reserve helped 175 basis points to around 5.30 ease the pressure by temporarian to the federal Reserve helped 175 basis points to around 5.30 ease the pressure by temporarian to the federal Reserve helped 175 basis points to around 5.30 ease the pressure by temporarian to the federal Reserve helped 175 basis points to around 5.30 ease the pressure by temporarian to the federal Reserve helped 175 basis points to around 5.30 ease the pressure by temporarian to the federal Reserve helped 175 basis points to around 5.30 ease the pressure by temporarian to the federal Reserve helped 175 ease 185 ease 185

The 30-year Treasury bond's In fact, the laurels for the yield plummeted from a peak of week go to the Fed without 10% per cent on Monday more whom equities might have fall-10% per cent on Monday morn-whom equities might have fall-ing to under 9 per cent on Fri- en through the floor and bonds

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WHILE stocks crashed last week, bonds boomed in the most spectacular credit market rally anyone could remember. By the end of the week Wall Street was still struggling to work out the economic, policy and psychological implications. The stunning turn of events in financial markets began with Monday's historic collapse of stock prices. Fears of higher inflation, a weaker dollar and central bank tightening were feeding frenzy as investors back on the lightening were feeding frenzy as investors naked panic.

A flight to credit markets and day morning Government bond prices rocketed more than 10 through the roof. Barely a kets was great enough to shake president Ronald Reagan loose month after it raised its discount rate, it stepped into the breach of the battered stock markets and declared on Tuesday it was ready to serve as a source of liquidity to support the economic and financial system. The terse, one-sentence policy pirouette by the Fed worked wonders as the central bank tightening were feeding frenzy as investors and flooded the markets with liquidity. So concerned was the could. Deafers sold securities they did not have, forcing them its steadfast rule of refusing to

comment on perculiar move ments of key interest rates. It went into elaborate length about why the Fed Funds rateat which banks lend reserves to each other bad soared to 15 per cent on Wednesday evening for reasons totally beyond its con-

its steadfast rule of refusing to

The aberration in the rate was an ominous sign, though, that the market earthquake had done more harm to financial institutions than a few surface cracks. Deep structural damage could well come to light in com-

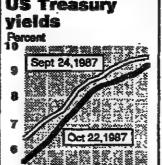
ing weeks.
Thus, economists were extremely reluctant to measure the repercussions. Quantifying the economic outlook is no

the economic outlook is no more than an exercise in futility." said Griggs and Santow, money market economists.

But a general consensus emerged that, as Salomon Brothers phrased it: "Growth will be weaker, inflation will be lower and interest rates will decline further. The magnitude of these shifts will hinge critically cline further. The magnitude of these shifts will hinge critically on the degree of financial dislocation that has already resulted from the plunge in stock prices, how quickly and at what level the market regains stability and the magnitude and speed of the monetary and fiscal policy responses." Somewhere around \$10000n has been wiped off the value of equities since their August peak. No one knows what the direct impact will be on consumer spending but Americans sumer spending but Americans are a good deal gloomier than they were eight days ago. Their sharp cut in plans to consume or invest will certainly slow the about 0.2 per cent, down slightly rate of economic growth in the from earlier months. Consumptourth quarter of this year and tion is likely to show no growth the first of next from the 3.8 per from August.

Tomorrow, Sentember's duracent annual rate achieved be-

tween July and September.
Slower growth should mean fewer imports but if weaker demand is a global phenomenon then US exports will suffer as well. The net effect on the US trade deficit could be minimal. But on the bright side, inflation and more importantly the ex-cessive fears of inflation will ease substantially.



months years budget deficits so his huge con-cession, if it is ever realised, will help whittle down the defi-

3 9 1 2 3 4 5 7 10 30

Although a consensus is form ing that bond prices will fall a little further to take, for example, the long bond yield to around 8 1/2 per cent, analysts warn that trading will be very choppy and rates might rise a fraction in the meantime. The Fed, which is in a "crisis

management mode," one of its officials said last week, will continue under intense scrutiny. Members of its policy-making open markets committee will probably have a fraught meeting when they gather in eight days time on November 3.

Their trickiest task internationally will be to maintain con-

fidence and value in the dollar Last Friday Economic statistic releases are relatively light this week and of dubious value as indicators of future prospects given the mas-sive dislocation the economy

tionally will be to maintain con

suffered last week. Today, September's growth in personal income should be about 0.2 per cent, down slightly

Tomorrow, September's dura ble goods orders are forecast to from August which was down 3.1

per cent from July.
Friday brings September's in dex of leading economic indica-tors. A small drop of around 0.2

Roderick Oram

**UK GILTS** 

### Crash signals switch to fixed-interest

bull market in shares over the past few years.
The quick, startling and sus-

tained returns to be had in global equity markets made bonds

10 years. True, but last week's unprecedented collapse in share prices defied any normal risk-adjustment techniques.

There seems little doubt that

institutional portfolios, for years chronically underweight in bonds, will now see a fundain bonds, will now see a funda-mental shift. The extraordinary fall in yields on world bond markets last week was the first evidence of substantial funds shifting out of equities into fixed interest stocks. However international monetary policy develops in response to the cri-sis on stock markets, it will take a very long time for investor e very long time for investor confidence in equities to re-

Bond markets worldwide had already seriously retrenched earlier this year in response to fears of an upturn in inflation and concomitant concern about higher interest rates.

build.

Last week changed all that. The dramatic fall in yields on The dramatic fall in yields on the translation of the US Treasury bond market and the git-edged market may and therefore not be quite sustainable. It is clear, however, that whatever the subtlety of arguments about the wealth effect thow large is it and how much fell proportionately faster in more important is it for the US. thow large is it and how much more important is it for the US than for Britain), the emerging upward trend in world interest

upward trend in worm and the rates has been reversed.

Weaker world economic tive.

On top of this, with the public content borrowing requirement

vance were almost completely er have tried to sell 27bn of glits ignored last week amid the furore on equity markets. On Tuesday, bank lending was shown to have surged by £4.4bn

LAST WEEK broke, in the most dramatic fashion, the pro-equity, anti-fixed interest psychology which has been fed by the deficit to £55m in September for the property of the control of th from August's £929m shortfall and base lending rates were cut

by half a percentage point.
In the comparatively normal circumstances which prevailed seem a very poor investment, in-deed. It was only in December ing figure would have justified that one prominent securities extreme caution in lowering inhouse issued a cogently-argued terest rates. The trade number report entitled. Equity risk would have prompted some to premium (or Why hold gills at argue that overheating fears That report argued that, even on a risk-adjusted basis, equisers trade performance was as erratically good as Au-

gust's was erratically bad.
The official line on Friday
was that the slashing of the capitalisation of the equity market represented a tightening of monetary conditions and that the trade figures allayed fears of overheating - thus base rates

of overheating - thus base rates
were cut.
On bank lending, it seems
likely that people will no longer
be willing to borrow on the
strength of rising asset prices
and corporate borrowing to finance acquisitions and merger activity will be severely cur-

This could show through in published bank lending data early next year and allow a further cut in base rates later this year or early in 1988.

What will be crucial for the performance of gilts will be its paraging other

perceived value against other non-dollar bond markets. Mr Robert Thomas and Mr Kevin note in their latest gilts report

Germany and Japan than in the UK," they said. Their assessment of prospects for non-dollar bond markets is highly posi-

growth, lower inflation and the flight to quality should ensure a period of falling yields.

How far they should fall is less than clear. It will take some time to restore a sense of fair value into any financial market, including the UK government bond market. A number of fascinating figures of domestic relevance would necessary to the forthcoming BP issue. Eddie George would necessary to the forthcoming BP issue.

October, 1987

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### **Matthew Brown rushes** forecast to foil S&N

dicted a 13.5 per cent rise in pre-tax profits to £10.9m in the year to next September. The ternative offer of 750p in cash forecast, audited by accounwhich will be closed today if the tants Arthur Young, was released in an effort to prevent cient acceptances to declare Scottish & Newcastle Breweries the bid unconditional - might from securing victory today, the first closing date for its £186m takeover bid. Matthew Brown also said that

Matthew Brown also said that based on management accounts to the end of August, pre-tax profits for the year just ended would reach £9.6m, a 5.3 per cent decline on the £10.1m reportedin 1985-36. Earnings per share have risen to 28.5p (27.38p).

share prices.

The cash offer compares with Matthew Brown's closing price of 7299 on Friday and the 645p value of \$2.7% in the following price of 7299 on Friday and the 645p value of \$2.7% in the following price of 7299 on Friday and the 645p value of \$2.7% in the following price of 7299 on Friday and the 645p value of \$2.7% in the following price of 7299 on Friday and the 645p value of \$2.7% in the following price of 7299 on Friday and the 645p value of \$2.7% in the following price of 729p on Friday and the 645p value of \$2.7% in the following price of 729p on Friday and the 645p value of \$2.7% in the following price of 729p on Friday and the 645p value of \$2.7% in the following price of 729p on Friday and the 645p value of \$2.7% in the following price of 729p on Friday and the 645p value of \$2.7% in the following price of 729p on Friday and the 645p value of \$2.7% in the following price of 729p on Friday and the 645p value of \$2.7% in the following price of 729p on Friday and the 645p value of \$2.7% in the following price of 729p on Friday and the 645p value of \$2.7% in the following price of 729p on Friday and the 645p value of \$2.7% in the following price of 729p on Friday and the 645p value of \$2.7% in the following price of 729p on Friday and the 645p value of \$2.7% in the following price of 729p on Friday and the 645p value of \$2.7% in the following price of 729p on Friday and the 645p value of \$2.7% in the following price of 729p on Friday and the 645p value of \$2.7% in the following price of 729p on Friday and the 645p value of \$2.7% in the following price of 729p on Friday and the 645p value of \$2.7% in the following price of 729p on Friday and the 645p value of \$2.7% in the following price of 729p on Friday and the 645p value of \$2.7% in the following price o

Second half

recovery at

HEYWOOD WILLIAMS pur-

mirrors; for 1987 profits are ex-pected to be 2190,000.

**Bridport** 

The forecast was rushed out because of fears that S&N's alprove irresistible in the wake of last week's collapse in world share prices.

(27.36p). Panel to force S&N to leave the It forecast total net dividends cash terms on the table for at

Matthew Brown, the Blackburn- of 18p in 1987-88, compared with least two weeks after the bid based brewer, last night pre- the 15.5p planned for 1986-87. goes unconditional.

The panel is believed to have indicated that it saw no reasonto make an exception to the rule that an underwritten cash bid can be closed immediately.

Mr Peter Cadbury of Morgan Grenfell, advising S&N, de-scribed the plan to issue an 11th hour forecast as "a strange and desperate-sounding move" of questionable credibility. Nevertheless, he said, it meant that shareholders would have all the facts in time to decide on the

The Campaign for Real Ale, meanwhile, repeated its sup-port for Matthew Brown's con-tinued independence.

record £40m. TMG will pay TI an initial £4m in cash with the bal-

Mr Paul Henderson, former

ance deferred for six months.

#### TI sells machine-tool interests in £6.5m deal

BY CLAY HARRIS

Bridgert-Gundry, maker of netting and twisted and woven products, staged a recovery in the second half to produce a pre-tax profit of £2.24m for the year ended July 31 1987, compared with £2.84m.

First half profit fell to £442,000 (£924,000). The results were achieved in the face of delay in placing defence orders on TI Group, the engineering com-pany, will today sell its remain-ing machine-tool interests for £6.5m to TMG Engineering, a newly formed UK company in which management has an equity stake of up to 20 per cent.

The disposal will include Newcast Foundries, based in Newcastle-under-Lyme, Matrix-Churchill Corporation in the US, and Coventry-based TI Machine Tools. The third will be renamed Matrix-Churchill.

The order book for the three divisions stands at present at a Mr Paul Henderson, former TI Machine Tools sales director, will become managing director.

Last month, TI sold Rockwell Machine Tools and Bennett Tools for £1.25m to Hartie International, a private company divisions stands at present at a second provided pr were achieved in the face of de-lay in placing defence orders on both sides of the Atlantic. By building up other activities the group was able to replace a shortfall of nearly £5m in de-fence turnover with other work, albeit at lower margins. Turnover in the year came to £37.9m (£37.6m) and gross profit to £9.57m (£9.21m). Earnings worked through at 13.47n (19.13p) and the final dividend is 5.1p for a total of 7p (6.25p). There was an extraordinary debit of £343,000.

Nevi sells its stake in Baltic

Nevi, the Norwegian group, has sold its 18.2 per cent holding (6.46m shares) in Baltic, the asset finance and property group and Mr Hans Petter Ass and Mr TECHNITBON has acquired a Goodmund Ronningen have re-signed as directors of the com-

chased Richmond Glass for 200,000 shares and £700,000 cash. Richmond makes framed The same number of shares were acquired by Banque Paribased bas Capital Markets which approx

TECHNITEON bas acquired a group of companies, including Alternative Printer Sales, active in the distribution of computer peripheral products and based in Dublin. Annual sales

### **Dexion Comino** plans SE comeback

BY RICHARD TOMKINS

an unquoted cempany claiming to be Europe's leading supplier of storage and handling systems, plans to return to the London stock market early next year at a market capitalis-ation likely to exceed £100m.

The flotation is expected to be through an offer for sale on the main market sponsored by J. Henry Schroder Wagg, the merchant bank. A stockbroker has not yet been appointed.

Dexion is based in Hemel Hempstead, Hertfordshire. It supplies materials handling systems throughout the UR and Europe, and has annual sales of about £110m. Its nearest competitor is the quoted est competitor is the quoted materials handling group Wag-

The issue will mark Dexion's return to the stock mar-ket after an absence of 12 years. The company surren-dered its independence to In-terlake of the US in 1974 after running into financial diffi-

Interiake is a multi-national Interlate is a multi-national producer of engineered materials including aerospace components and materials handling systems. At present it owns the whole of Dexion's equity, but it proposes to sell off 25 per cent in February next

Mr Stephen Hincheliff, Den-lon's chairman, said his com-pany had now been restored to financial health and Interlake considered that its presperity would grow at an enhanced rate of it was spun off. Howev-er, Interlake had no plans to sell more than 25 per cent of its shares.

Mr Hincheliff acknowledged that market conditions did not look favourable to new issue activity. "But we do not expect the present traumas in the equity markets to last into next year, and if they did, we could easily postpone the flotation."

### Ian Hamilton Fazey looks at Silentnight's successful comeback

### Beds that provide peace of mind

IF the senior managers of Sil-entnight Holdings are sleeping easier in their beds these nights, it is not just because the mattresses they are lying on are the latest high tech models currently gaining the company market share over their rivals. Silentnight is on the way back with a vengeance. Two years ago it was suffering from disas-trous labour troubles in which it sacked 346 strikers at its main bed manufacturing factory in Barnoldswick, near Colne, in the Lancashire Pennines.

Profits fell to a confidence-Profits fell to a confidence-shaking £270,000, compounding a dive the previous year to £2.2m, caused by a squeeze on margins. Since the company had been on a three-year pla-teau of £5m-plus, Sileminight was clearly in trouble. Yet last week's half-year fig-ure of £5.3m was the best inter-

ure of £3.3m was the best inter-im pre-tax profit Silentnight has ever reported. It came on top of last year's 12-month fig-ure of nearly £5.3m on turnover of £86.5m. Mr Tom Clarke, the chairman, said that the current full year will be substantially ahead of that Henry Cooke, Lumsden, the

brokers, says in its latest review of North-west regional compa-nies that Silentnight should now be viewed as a growth stock. The interim figures were well ahead of HCL's £2.75m to £3m forecast.

E3m forecast.

Between mid 1984 and the end of 1986 the price of its shares bumped along the bottom in the 28p to 50p price range. This year's peak was 179p and even after last week's market

after last week's market plunges, it still closed on Friday at 148p.

Mr Tom Clarke, who is also the founder of the group, ascribes the recovery to four things new and better management. £5m a year of capital investment, improved products and marketing, and the learning of some very sharp lessons from of some very sharp lessons from the strike.

He says: "We were non-union up to 1979. The strike created a picture of authoritarian management, but we're not like that. We were not blameless. We had lost touch with our workforce. We learned a very bitter lesson about staying close to the people who work for you.

I learned it in the Royal Navy in the war. As soon as we passed the Liverpool bar the captain always came on the Tannoy and told us everything. It made all picture of authoritarian man-

the difference to the way we behaved and fought. It is a basic principle of management. People have forgot. An internal inquiry by the board into what had gone wrong

refinancing package being assembled for Mellerware by Singer & Friedlander, merchant bank

S&W Berisford, the diversified sugar producer facing a mouling takeover bid from Associated British Foods, Said yesterday that it had made a \$10m (£5m) profits on a transaction involving 15 office properties in Manhattan.

Berisford's property trading arm was involved in the financing of the purchase and simultaneous break-up of a portfolio of

neous break-up of a portfolio of 15 office buildings. It has re-tained a 50 per cent interest in five of the properties, totalling

E Upton losses fall

Reduced losses of £171,991 were reported by E Upton and Sons, department store operator, for the 28 weeks to Angust 11 against £231,294 in the 28 weeks ended Angust 12 1986.

Included in the result is a £92,240 (£79,867) pre-tax loss from the photographic subside

from its photographic subsidiary Mckenna and Brown, which contributed £1.57m (£922,165) to

about 1m sq ft.

S&W Berisford

Mellerware midway loss

Mellerware International, kitch- The company issued 25.1m of

en appliance manufacturer, in-curred a pre-tax loss of £394,000 in the six months to June 27 a two-year maintity. Mr Sam-compared with £220,000 profits ders said that it was his aim to in the six months to June 20 last expand Mellerware and turn it

year. Turnover rose from £5.44m into a substantial industrial to £7.23m.

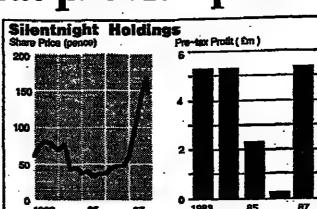
After no tax (£16,000), losses and plastics.

After hots and plastics.

He said Mellerware intended

After no tax (£16,000), losses per 10p share were 6.9p compared with earnings of 3.6p last time.

At the end of May, Howmae, a company established by Mr Sandy Saunders, acquired a 29.9 per cent stake in the company and Mr Saunders became chairman of Mellerware. The transaction formed part of of a refinancing package being as refinancing package being as the conseptial of the same buildings at Stratford.



in the company revealed that the management cadre had iso-lated itself from day-to-day con-tact with the shopfloor and its

tact with the shopfloor and its mood. Supervisors and workers complained of 'not seeing the bosses' and not knowing what was going on Mr Clarke says the situation was exploitable by 'extremists,' and was.

Mr Clarke, who had been disengaged from close executive management since 1976 and had already tried to retire, was appalled. Changes ensued, with Mr Arthur Beattie, an old hand, acting as a managerial sheet anacting as a managerial sheet an-chor and restoring stability and contact to labour relations.

A new chief executive was re-

A new chief executive was re-cruited: Mr Chris Burnett, aged 46, a Harvard Business School-masters graduate with five years experience of McKinseys, who had been running a divi-sion of Whitecroft, the textiles group, in Wilmslow.

The bed making company went back to being a non-union shop paying well above union rates. This was despite a union campaign to get retailers and consumers to black Silentnight products, which ultimately

consumers to black Stlentnight products, which ultimately foundered when the Co-op, af-ter an inquiry into both side's claims, refused to join in. Mr Clarke says he is not anti-union and cites the continued unionisation of subsidiaries in the 3 000 complements of the second

the 3,000-employee group making other types of furniture.

However, management style does not rely on unions to keep people in the know. All managers have had to learn to take the using formal methods such as publications and briefing groups, and informal means like chars during factory walk-abouts.

November 2, the 42nd anniversary of his founding the compa-ny with his wife Joan, a mattress maker.

They used his wartime gratu-

ity of £170 to get going as a two-person business. The name came in Christmas week of 1949 came in Christmas week of 1949 when trade was slack and they and their nine employees used some idle time in a brainstorming session to think of it.

Silentnight now claims between 25 and 30 per cent of the British bed market. Nearest competitors are in the 10-12 per

cent range. In other furniture markets the group is in the pack

with 8-10 per cent.

However, beds are where the group has its reputation and that is where Mr Burnett is concentrating much effort.

He says: "We are re-establishing very strong links with customers. I personally spend lot of time with them, as Tom did in

the old days.
"In the factories, output per

corporates in its flagship 'Sleeper range. This braces the springs from head to foot of the mattress, pre-venting 'roll together' of dispa-rately weighted partners. Sil-entnight has developed the system further by designing a complementary divan spring system which it has licensed back to the US.

A £2m television advertising A film television advertising campaign devised by the Manchester agency Bowden, Duble and Hays, which features a pyjama-clad hippopotamus sleeping alongside a newly-hatched duckling, has made the technological point in the marketplace without jargon or claims that our springs are betclaims that 'our springs are bet-ter than their springs,' which re-search showed turned custom-ers off.

The Sleeper range has signifi-cantly increased the company's share of the top end of the bed market and now represents half of Silentnight's bed sales revenues. Mr Burnett's 'higher ad-ded value' goal is reflected in the range being less than half the company's bed production. He says: Design is the key design and quality. We are registered under the particularly demanding BS5750 quality as-surance standard and led the industry here too. Growth can only come from design and good

products."
Refined industrial marketing to sales outlets also has some-thing to do with it. Silentnight has its own 35,000 sq ft exhibi-tion centre near Colne where it stages five packed trade shows a year, each running Sunday to

"In the factories, output per employee is up 38 per cent over five years. At the same time we are trying to produce higher added value and improved quality, which are in turn leading to better prices."

He believes that staying market leader means staying ahead technologically. The company owns the UK rights - beds are not exportable - to the Miracoll spring system from Leggitt and Platt of the US, which it in-

## Thames Water

UNAUDITED STATEMENT OF RESULTS FOR THE HALF YEAR ENDED 30th SEPTEMBER, 1987

	6 moi 30th Se	nths to ptember		nths to March
	1987 £M	1986 £M	*1988 <i>-</i> 2M	1987 £M
Turnover	285.6	270,9	583.4	549.5
Trading Profit Interest	(6.5)	102.4 (13.3)	222.3 (12.5)	2 2.7 (22.3)
Profit after interest	8,101	89.1	209.8	190.4

- I. This unaudited statement has been prepared under the same accounting policies used in the statutory accounts for the 12 months ended on 31st March, 1987. 2. Trading profit is stated after charging depreciation on the basis of historical costs.
- 3. Thames Water is not liable for corporation tax.
- 4.\* The 12 months figures to 31 st March 1988 are forecasts based on expectations in

#### STATEMENT BY THE CHAIRMAN, ROY WATTS, C.B.E.

Commenting on the results, Roy Watts, Chairman of Thames Water Authority said "Our continued drive for efficiency, whilst still maintaining high standards of service to customers, has resulted in the first half year's profit target being exceeded. Prospects for the second half year are equally as encouraging.

The present buoyant cash position will continue throughout the remainder of the year. All capital expenditure will be financed internally, with an additional £100m available for early debt repayment.

We are increasingly selling our wide experience of integrated River Basin Management overseas to provide future profits for our customers."



#### FINANCIAL TIMES STOCK INDICES

	0ct. 23	0et. 22	0et. 21	9ct. 20	0cL 19	0cL 15	19 High	57 Low	Since Co High	mpilation Low
Government Secs	87.50	86.06	85.47	85.21	83.73	84.90	93.32	84.49	127.4	49.1B
Fixed Interest	91.96	91.90	91.75	91.11	91.05	91.50	99.12	90.23	150.4	50.53
Ordinary	1376.8	1435.3	1527.3	1439.2	1629.2	18129	1926.1	1320.2	1926.2	49,4
Gold Mines	386.4	399.0	396.8	427.6	444.2	463.3	497.5	288.2	734.7	43.5
FT-Act All Share	930.33	953.46	1007.47	951.95	1072.40	1189.92	1238.57	835.48	1238.57	61.92
FT-SE 100	1795.2	1833.2	1943.8	1801.6	1052.3	2301.9	2443,4	1674.5	2443.4	986.9

### group turnover of £2.64m (£2.01m). **FT Share Service**

GUARANTEED FLOATING NATE NOTES DUE 1773

The Bank of Tokyo, Ltd.

(Kithushild Kalalia Tokyo Giziko)
In accordance with the provisions of the Agency Agreement between Bank of Tokyo
(Curaçao) Holding N.V. The Bank of Tokyo, Ltd., and Cithank, N.A., dened October 6,
1978, notice is hereby given that the Rate of Interest has been fixed at 8-375% p.a., and
that the esterness payable on the relevant Inseress Payment Date, April 26, 1988, against
Coupon No. 19 will be U.S.\$42.57.

October 26, 1987, London By: Clobank, N.A. (CSSI Dept.), Agent Bank

The following security has been added to the Share Information

Bank of Tokyo (Curação) Holding N.V.

Service:
Dolphin Packaging
tion:Industrials).

Azent Bank: Morgan Guaranty Trust Company of New York

U.S. \$200,000,000

The Kinadom of Belaium

Floating Rate Notes Due October, 1994

In accordance with the provisions of the Notes,

notice is hereby given that for the Interest

Period from 26th October, 1987 to 26th April, 1988 the Rate of Interest on the Notes will be 81/16% per annum.

The interest payable on the relevant Interest

Payment Date, 26th April, 1988 will be U.S. \$10,246.09

per U.S. \$250,000 Note.

Wells Fargo & Company

Floating Rate Subordinated Notes due 2000

In accordance with the In accordance with the provisions of the Notes, notice is hereby given that for the Interest period 25th October, 1987 to 27th November, 1987 the Notes will carry an Interest Rate of 77/11% per annum.

diterest payable on the relevant literest payment date 27th lovember, 1987 will amount to US\$66.11 per US\$10,000 Note and US\$330.55 per US\$50,000 Agent Bank: Morgan Guaranty Trust Company of New York

This advertisement is issued in compliance with the requirements of the Council of The Slock Exchange. It does not constitute an invitation to the public to subscribe for or purchase any securities.

The Shield Group plc (Incorporated in England under the Companies Acts 1948 to 1981 No. 1728953)

10.546,167 5.84% Net Convertible Cumulative decemble Preference Shares of £1 each issued by way of a placing and open offer to ordinary shareholders

1,500,000 5.84% Net Convertible Commistive deemable Preference Shares of £1 each issued by way of vendor consideration

Application has been granted by the Council of The Stock Exchange for permission to deal in the above mentioned Convertible Preference Shares in the Unlisted Securities Market, it is emphasised that no application has been made for these securities to be admitted to listing.

Particulars of the Convertible Preference Shares are available in the Extel Unlisted Securities Market Service, Copies of the circular to shareholders dated 29th September 1987 containing further details in connection with the issue, including particulars of the Convertible Preference Shares, may also be obtained from the Company and, during normal business hours on any week day (Saturdays and public holidays excepted), up to and including 9th November 1987 from:

The Shield Group pic 100a Avenue Road London NW3 3HF

Capel Care Myers 63 Holborn Viadnes London EC1A 2EU

CITIBANCO

FISKE & CO. ot 8,142,500 Ordinary Shares of 10 sech Bouco (100) Credinary Shares of 1p seeds \$600,000

U.S. \$200,000,000

London ECIA ZEU
(A Member of the ANZ Group)
26th October 1987.

Sunday, the peak days when 700 lunches are served.

This advertisement is issued in compliance with requisitors of the Council of The international Stock Exchange of the United Kingdom and the Republic of Instant Limited (The Stock Exchange"). Application has been made to the Council of the Stock Exchange for the grant of persistion to deal in the whole of the leased ordinary share capital of Chertsearch pix in the United Securities Market, it is emphasized that no application has been made for these accritises he reliabled in Residual Council or the securities. CHARTSEARCH DIC

Make & Co. eliabusy Hous London Wall

Charteseroh pin is engaged in the publication and sale of neweletters and book and the mattering of its customer detabase.

maintained by Entel Statistical Services Limited. Copies of fince particulars can slee be obtained during normal business house up to and including 28th October, 1897 from the Company Amountainments Office of The Stock Ex

#### **BUILDING CONTRACTS**

### Bryant Construction Invest in Quality Solihull Bracknell-

### £15m office project in **Glasgow**

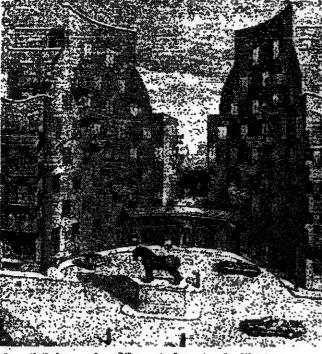
Glasgow Council gave planning permission last month for a 100,000 sq ft office development 100,000 sq ft office development in Waterloo Street, Glasgow. The 215m project, which is being developed by RUSH & TOMPKINS GROUP and LAW-FIELD ESTATES, involves the construction of offices with atrium and wallclimber lifts behind the three Listed classic bull sandstone facades. The 1906 building was originally designed as a static circus, but was signed as a static circus, but was never used as such, being al-tered during the course of con-struction to become a post of-fice, sorting office and counter unit Start data for the 18-month construction programme is earconstruction programme is early in the New Year.

MYTON has been awarded a factor construction and refurbishment contract at Elm House, London, an office block previously occupied by Thomason International Publishing, and joint venture partner LEH- mcGOVEN INTERNATIONAL for a residential development of the courage of the cou House, London, an office block previously occupied by Thomson International Publishing, on behalf of the new Swedish owners Citadellet through Central London Securities. Myton, a construction and specialist company in the Taylor Woodrow Group, will undertake the fast-track project in only 30 working weeks, with completion due in May, 1968. Externally the building will take on a fresh appearance with the use of a new specialist enamel finished metal cladding, the replacement of existing windows with double glazed units, and at ground level, the reconstruction of the exel, the reconstruction of the exel, the reconstruction of the existing entrance facade. Internally the building is being completely stripped out and refurbished. The work will include replacement of all existing services in particular the provision of full air conditioning, new tollets, raised access deck flooring and finishes throughout.

FIELD DAVIS has been awarded a contract, worth in the region of £950,000, for conversion and new build at Shack-lewell Lane, London RS. The contract includes construction of a terrace of four houses, all fronting onto a landscaped patto area which forms the mutral feature of the development. The feature of the development. The client is County and Provincial

TAYLOR WOODROW CON-STRUCTION has been awarded a contract, worth £870,000, by Lothian Health Board for alter-Lothian Health Board for alter-ations and remedial works at the Royal Infirmary, Lauriston Place, Edinburgh. The work, for completion in January, involves upgrading three wards includ-ing mechanical and electrical installations.

### South Bank luxury appartment block



An artist's impression of the central courtyard, with a bronne states of a browery dray horse by Shirley Page

TIONAL for a residential development in the Butlers Wharf conservation area on the south bank of the River Thames near

Tower Bridge.

Focal point of the luxury apartments, some of which are in seven-storey towers, will be a circular courtyard faced in nautic blue brick. The overall design complements the character of the surrounding Victorian what huildings wharf buildings.
The development includes a

restaurant, speciality shops, and a health club with indoor swimming pool. Each spartment

Called The Circle, work on the project is due to start early next year. The site, in Queen Elizabeth Street, London SEI, was owned by the Courage Brewery. The old workshops and other buildings have now been demolished. The first phase of the work involves extensive deep piling and ground engineering, necessary not only to support the building's superstructure but also for the two-level basement car park. Comlevel basement car park. Com-pletion is scheduled for the au-

A mock-up of a typical executive apartment is on view to the public at The Circle Sales Pavil-ion, Queen Elizabeth Street, Tower Bridge, London SEL

#### British consultants win three international bridge projects

Consulting engineers RENDEL structure will need to cope with PALMER & TRITTON, a High-region's frequent earth-roint Rendel company, has been awarded a number of contracts worth 57m for international Pridee projects.

been awarded a number of contracts worth S7m for international bridge projects.

In Bombay, India, Rendel will advise on a second road crossing at Thinte Creek, following concern over local design and construction deficiences, and will also check on the repair procedures of the existing structure, Bendel will examine the design and oversee the construction of the £16m bridge which will be 1836 metres long, with three lanes in either direction.

tion.

Rendel has also been appointed to prepare a rapid scheme design and prepare pricing documents for the construction of a £150m road crossing across the Gulf of Corinth in Greece. The bridge will provide a west coast link between mainland Greece and the Peloponnese peninsula, currently joined only at Corinth. The

across the 2.3 km wide strait.

The company also has a \$6.25m (£1.8m) consultancy contract for Phase II of the Jamuna bridge project in Bangladesh, India, where Rendel is working as lead consultant with Nedeco of the Netherlands. The bridge will cross one of the world's largest rivers and will be about 6 km long. The Phase II study includes full economic assessment, tender design and building documents for the main river bridge, bridge approaches

### £26m motorway extension

BALFOUR BEATTY CON- vation of some 1.8m cu metres of structural steel frame, profiled STRUCTION has successfully material, 900,000 cu metres of metal vertical cladding to walls, tendered for part of the M40 fill and some 500,000 cu metres metal deck roof with a felt fin-STRUCTION has successfully material, 900,000 cu metres of tendered for part of the M40 fill and some 500,000 cu metres London-Oxford-Birmingham of imported fill. Included is the London-Oxford-Birmingham motorway. The work worth construction of nine bridges, £26.58m, from the Department of Transport, is situated south east of Birmingham, extending from the existing M42 to Shrewley Common, north east of Warwick.

The contract comprises the construction of 10.5km of dual three-lane motorway, 2km of link roads to the existing M42 to Shrewley Common, north east of Warwick.

Balfour Beatty Building has been swarded a contract to design and build an extension to link roads to the existing M42 the Nacanco factory in Runand an interchange with the A34. This will involve the exca-

metal deck roof with a felt finish, reinforced concrete ground
floor slab with extensive machine bases, electrical and me
chanical installations, drainage
and external work. The company has also received a contract
valued at £156,000 from AMC
Exhibitions (UK) for enabling
works to a proposed multiscreen cinema in Telford,
Shropshire. The project comprises excavation, ground stabilisation, a retaining wall and
drainage.

Refurbishing

R.MANSELL, Croydon, has won contracts totalling 19m for refurbishment, repair, maintenance and minor work. The largest is a £1.7m conversion of six blocks of maisonettes at the 
Delce estate, Rochester, into 56 
three-storey houses, plus building two additional houses. The 
top two storeys of each block 
are being removed and replaced with a pitched roof. The 
work is for Rochester-uponMedway City Council. A £1m refurbishment of a four-storey terraced house at 17 Albemarle

raced house at 17 Albemarie Street, London W1, is for Peel

work for

Mansell

#### **Metal Box headquarters**

Among the awards is a £3m project to design and manage the new headquarters complex for Metal Box on a prominent Thameside site in Reading. A fully air-conditioned office building of 33,000 sq ft is being erected and among the facilities to be included are raised access floors, underground car parking and the creation of a riverside garden. A 12-month construction programme has been set and work has begun on site.

The company has also been appointed to design and build a £3.4m project for Slough Estates—a development on the Slough Trading Estate. The 88,000 sq ft building which Hunting Gate is constructing incorporates a two-stoper office block and a

constructing incorporates a two-storey office block and a ringle-storey production unit. Struction for Sibec Development scheme has already been ments at Borehanwood pre-let to Crane Packing who consisting of 183,000 sq ft of rewill be expanding its Slough tail units on a 13 acre site.

MUNTING GATE has won con-tracts worth more than £17m. headquarters. headquarters.

Hunting Gate has also been chosen to construct a £5.1m 54,000 sq ft air-conditioned office complex consisting of two three-storey buildings in Borehamwood. It is a joint development between Hunting Gate Developments and Altied Dunbar Property Fund. A tight construction deadline has been set and the building is scheduled for completion by September 1968.

In Dunatable the company has been appointed by Retail Parks to construct two units totalling 60,000 sq ft worth film. One unit has been pre-let to Texas Homecare, while the other is a speculative development. Other retail contracts include a f5.9m development currently under conopment currently under con-struction for Sibec Develop-ments at Borehamwood

#### **New Portsmouth station**



Contracts valued at more than tober 1988.

57m have been won by GEOFFREY OSBORNE. Osborne is undertaking a £1.5m rebuilding Eastleigh Shopping Contre, scheme at Portsmouth and Southsea High Level Station for British Rail Southern Network.

Stewart. The 75-week project inventors and southern Network. British Rail Southern Network. Stewart. The 78-week project inThe 32-week contact involves volves 4,000 sq metres of car
the demolition and reconstruction of the station canopy and
platform. The new canopy has a
Victorian flavour with its distinctive roof formed by three
harrel vaults. The centre vault
is clear plastic glazing on a lattice portal frame which will crete a light and spacings effect in ate a light and spacious effect in the station below. The whole platform area will be renewed

At Godalming, Surrey, work has started on the £1.5m con-struction of the Godalming in-ner relief road for Surrey County Council. The new road will pass through the existing town centre and will involve compli-cated traffic diversions to ensure access to all properties. Completion is scheduled for Oc-

Another management contract awarded to Osborne's civil engineering division is a £2m structural package for the Wimbledon Bridge project being undertaken by Wimpey Manage ment. The 42-week contract is scheduled to start in November when Osborne will construct the foundations, basement and all floors for a six-storey steel-framed office block positized south of the railway lines. Adja-cent to the office block, Osborae will construct a two-storey retail block and car park over and above the railway lines.

UNITED SCIENTIFIC HOLDINGS PLC

Rights Issue

37,045,644 new 5,50 per cent Convertible Cumulative of £1 each at per

Share Capital

22,954,356

000,000,00

Ordinary Shares of 25p each 5.50 ger cent. Convertible Cumulati Non-Voting Redeemable Preference

37,045,644 50,937,760

11.002.116

per cent Convertible Cumulative Non-Voting author of Ll each are contained in the letting particulars which author and are resultable in the East Statished Services. Copies of the tase may be obtained, together with copies of the latest atailable mail accounts of United Scientific Holdings P.C. during normal business and public holdings recepted; up to and including 28th October. 1997 Annitrogeneous Office. The Soch Eachings. London 1998 of November. 1997 from United Scientific S

N M ROTHSCHILD & SONS LIMITED New Court, St. Swithin's Lane, London EC4P 4PU

> Brokers to the Rights Issue are: Rowe & Payma Ltd I Fambury Avenus, London EC2M 3PA

This advertisment is issued in compliance with the requirements of the Council of The Stock Exchange, it does not constitute an invitation to the public to subscribe for or to purchase any securities of the Company

#### P & W MacLellan plc to be renamed HADEN MACLELLAN HOLDINGS PLC

(Registered in England No. 30847) Introduction to the Official List and Merger of P & W MacLellan pic

Haden and Haleworth

Open Offer to Shareholders of 14,791,968 New Ordinary Shares of 20p each

SHARE CAPITAL

Guning implementation of the Ope and Haleworth Holdings Limited tation of the Open Offer and the acquisition of the leaved share capital of Haden Group pic and Ha Authorised

Ordinary Shares of 20p each Preference Shares of \$1 each

10.055,804

in connection with the proposed acquisition of the whole of the issued share capital of Haden Group pic and Halaworth Holdings Limited, application has been made to the Council of The Stock Exchange for the New Ordinary Shares to be issued pursuant to the Open Offer to be admitted and the existing Ordinary Shares to be re-admitted to the Official List. Dealings are expected to commence on 30th October, 1987.

Full particulars of the Ordinary Shares are contented in the Listing Particulars which have been published and are available in the Extel Statistical Services. Copies of the Listing Particulars may be obtained during normal business hours (Saturdays and public holidays excepted) up to and including 26th October, 1967, from the Company Announcements Office, The Stock Exchange, London EC2P 28T and up to and including 9th November, 1967, from P & W MacLellen plc, Spaldings, Satter Road, Lincoln LN6 SRS and from:

Brokers to the introduction and the Open Offer are: de Zonn & De

20th October, 1967

13,000,000 4,000,000

Ebbgate House, 2 Swan Lane, London EC4R 3T8

This announcement appears as a matter of record only.



a Collins-Wilde Group Company

£15,000,000 REVOLVING FACILITY



**ARBUTHNOT LATHAM BANK LIMITED** 

> PROVIDED BY Arbuthnot Latham Bank Limited

Royal Trust Bank (Switzerland) Bank of Ireland

National Australia Bank

Berliner Bank AG, London Branch Yorkshire Bank PLC

Bristol & West BUILDING SOCIETY

£100,000,000

Floating Rate Notes 1992

Notice is hereby given that the Rate of Interest for the three mouth interest Period commencing on 22nd October, 1987 has been fixed at 10%% p.a. and that the interest payable on the relevant Interest Payment Date, 22nd January, 1988, in respect of Coupon No. 8 will be £129.61 per £5,000

COUNTY NATWEST

October 1987

US \$60,000,000

THE MORTGAGE BANK AND FINANCIAL ADMINISTRATION AGENCY OF THE KINGDOM OF DENMARK

(Kongeriget Danmarks Hypotekbank og Finansforvaltning)

**GUARANTEED FLOATING RATE NOTES DUE 1990, SERIES 82** 



Unconditionally gustanteed by THE KINGDOM OF DENMARK

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the six months 26th October, 1987 to 26th April, 1988 has been fixed at 87/16 per cent per annum and that the copon amount payable on coupon no. 10 due on 28th April, 1988 will be U.S. \$4,289.06



The Sumitomo Bank, Limited

Reference Agent



#### **ELECTRONIC RENTALS GROUP P.L.C.**

£75,000,000 5 year evergreen

**Multiple Option Facility** to replace existing loan facilities

> Arranged by COUNTY NATWEST

Midland Benk ple Bank of Montreal Algemene Bank Nederland N.V. National Westminster Bank Group **Barclays Bank PLC** Amsterdam-Rotterdam Bank N.V.

CIC-Union Européenne, International et Cie Credit Suisse

The Sanwa Bank, Limited

Additional Tender Prend Monthle

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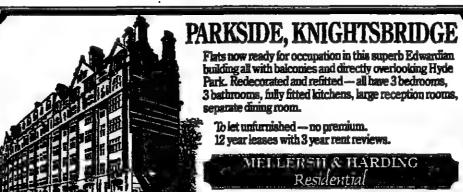
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# **FINANCIAL TIMES**



The first passenger services start today at the new London City Airport, the first all-new airport in Britain for 30

years and the first in the country built specifically for short take-off and landing aircraft. Michael Donne, Aerospace Correspondent, reports.

### City set for take-off

WITH THE first passenger ser-vices starting today at the new dustrial and residential comvices starting today at the new dustrial and residential com-London City Airport - or Stol- munity is growing up in that ar-

de Janeiro's Santos Dumont are

landing fixed wing aircraft. It is also aimed specifically at the business traveller.

The new airport, which is to be formally opened by the Queen on November 5, has been built as a £32m private vanture by John Mowlem, the construc-tion engineering company, on a disused wharf between the Roy-a! Albert and King George V docks, in what has been for sev-eral years the disused and dere-lict Docklands area of London.

The entire Docklands area has been, and still is, undergoing extensive redevelopment, under the direction of the Lon-

well inside the built-up area of London and reachable from the City in under half an hour depending on traffic conditions.

By comparison, Heathrow is the comparison, Heathrow is the city, Gatwick 30 miles to the south, and the newly-developing Stansted Airport some \$2 Dock, which if implemented would still require some from of the condition in the use of the Subject to the achieved by extending that railway to a point much closer to the airport terminal.

Existing plans provide for such an extension along the north side of the Royal Albert provides in the north-east.

yards from the Stolport, but services on the latter line are limit-

don Docklands Development

Corporation and with substantial infusions of cash from private commercial sources. As a many observers believe that the network.

London City Airport - or Stolport as it is also known - the UK gets its first completely new airport for 30 years, since the new airport is designed not only to serve that rapidly-expanding business community and the City of London itself, but also the even wider catches world. Belfast and Plymouth are examples in the UK, while Washington's National and Rio de Jabero's Santos Dumont are

It is designed primarily for diothers. Many more, such as Heathrow, are surrounded by built-up areas.

London's Stolport is, however, the first airport in Britain built road from the Bank of England, solely for, and with its use restricted to, short take-off and london and reachable from the landing fixed wins airport in City in under helf an hour de-

> miles to the north-east.
>
> Public transport scess is limited. The Central Line Underground to Stratford or District Line to West Ham enable connections to be made to the British Rail North London line, nient, but even e Silvertown Station is 400

STRATFORD EAST HAM PLAISTOW -**UPTON PARK** WEST HAM BARKING ROAD AII7 A124 SIIA CANNING ΑB TOWN 2

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**GLASGOW** 

Proposed Extension Dock lands Light Railway

Examination of projected London area passenger traffic levels 1995

Projected Total Business Pax Market from London's Airports (1000)

Assumed Passenger Volume for Stolport (\*000)

DUBLIN

most rapid expansion in the use

2000

1000-

AMSTERDAM BRUSSELS

would still require some form of transit bus service to the other side of the Dock where the ter-

An extension directly to the terminal would be more convenient, but even the limited improvement allowed under pres-ent plans would enable connections to be made be-tween Tower Gateway station (near the Tower of London) and Tower Hill on the London Transport underground railway

No firm dates for any such extensions have yet been set, but their early implementation would overcome one of the most often-quoted criticisms of the

often-quoted criticisms of the Stolport to date - its difficulty of access other than by road.

Nevertheless, many of those closely associated with the airport's development over recent years believe strongly that within a short period its existence will change traveiling hebits on short-haul Continental routes, especially among business usespecially among business us-ers, and more particularly among Continentally-based travelers coming to the City of

Success with the Stolport may well accelerate ambitions for similar airports in other UK and Continental City centres, and might well be the catalyst

for the extensive development

SILVERTOWN

for the extensive development of "commuter" type air transport operations in the UK.

The first services to and from the Stolport will be to Paris, operated in competition between Brymon Airways (in which British Airways has a 40 per cent shareholding), and Eurocity Express, an airline specially set up by the Airlines of Britain Group (which includes British Midland Airways, Loganair and Midland Airways, Loganair and Manx Airlines) to use the Stol-port. At the same time, Eurocity Express will start services to Brussels, being followed there

later by Brymon.

Both airlines have signed agreements with major foreign airlines: Brymon with Air France for its Paris operations.

Carlotte Comment

Brymon has also been li-censed for Amsterdam, Plymouth and Newquay, and Euroci-ty for Amsterdam, Dusseldorf, Rotterdam, Guernsey, Jersey and Manchesier. Both are likely to seek further links with foreign airlines to ensure the rap-id build-up of a network of operations from the Stolport.

N.WOOLWICH

The Stolport's ultimate capac-The Stolport's ultimate capacity is 1.2m passengers a year, with a maximum permitted operation of 120 flights daily on weekdays and 40 a day at weekends and holidays, with flying confined (except in emergencies) to between the hours of 6.30am and 10pm Mondays to Saturdays, and 9am to 10pm on Supdays and Bank and Public Holidays, to protect the sur-

#### CONTENTS

The airlines: Stolport carners bank on past experience and present expertise. Profiles of Brymon Airways and Eurocity Express. 2

ROTTERDAM

PARIS

Construction: building problems solved on a unique site

The aircraft: The official limitations Flight pattern: Dovetailing Stolport air movements into busy airspace

rounding areas from noise dis-No club or recreational flying will be permitted, and strict will be able to fly from the Stol-conditions on aircraft noise lev-els are being imposed, with a flights at Continental airports.

Financing: How the package was put logether - and the expected

ban on helicopters except in emergencies.
The terminal building is surprisingly large for a small air-port, and is spaciously de-signed, with such facilities as shops, restaurant, telephones and other amenities, including a butiness centre (run by Brit-ish Telecom's Network Nine) with meeting rooms, self-con-tained "work areas", a board-room suite and conference ar-

Walking time from the centre of the terminal to the furthest aircraft gate is only four min-

Although John Mowlem and the two airlines initially using it call the new development the London City Airport (LCY is its international designation), the popular and simpler designa-tion of Stolport stems from the fact that although it is a fullyfledged airport, designed from the start with scheduled com-mercial passenger services in mind, its single runway is short, only 762 metres (2,000 feet) in length, although the actual length of svailable concrete is 1,030 metres.

As a result, its use is restricted to aircraft that have short take-off and landing character-latics, which include an ability to approach a landing, and climb away on take-off, at a much steeper angle (7.5 de-grees) than normal, both to re-duce environmental noise and to ensure the avoidance of actual or possible future tall struc-

tures in the locality.
It also means that the airport will always be restricted to short-to-medium distance flights, primarily for UK domes-tic and near-Continental destinations. As currently designed, large, long-baul aircraft (such as Boeing 747s or McDonnell

able to use it, but this is no barrier to long-distance travel because many business travellers

Indeed, this is one of the main reasons for the links already arranged between Brymon and Air France and between Errocity Express and Sabena. The further discussions the two UK. airlines are also holding with other Continental airlines are intended to ensure as big a po-tential traffic catchment area as

possible. Initially, the two UK airlines will operate flights from the Stolport both in their own right as well as on behalf of the two foreign airlines, but eventually it seems likely that as traffic builds up, both Air France and Sabena will buy their own Dash Seven aircraft and conduct

their own operations there.
So far, no other UK airlines have applied to the Civil Aviation Authority for licences to and from the Stolport, but some are known to be thinking of doing as soon Also several major. ing so soon. Also, several major foreign airlines are watching

the Stolport closely.
Initially, only the four-engined turbo-prop 50-seat Dash
Seven airliner, built by de Havilland Aircraft of Canada, will be used at the Stolport, having satisfactorily met the noise and short take-off and landing criteria laid down by the Departments of Environment and Transport and the Civil Aviation Authority for operations

there.
The DHC Twin Otter, a smaller, 19-seater turbo-prop Stol aircraft can also be used, although it is noisier than the Dash Seven, but so far no air-

line has applied to do so.

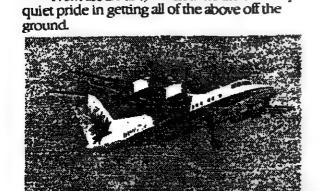
Both Brymon and Eurocity Express are equipping with Dash Sevens - Brymon has two already, with two more to come. and three more to come. They

# London gets a jump on the rest of **Lurope**.

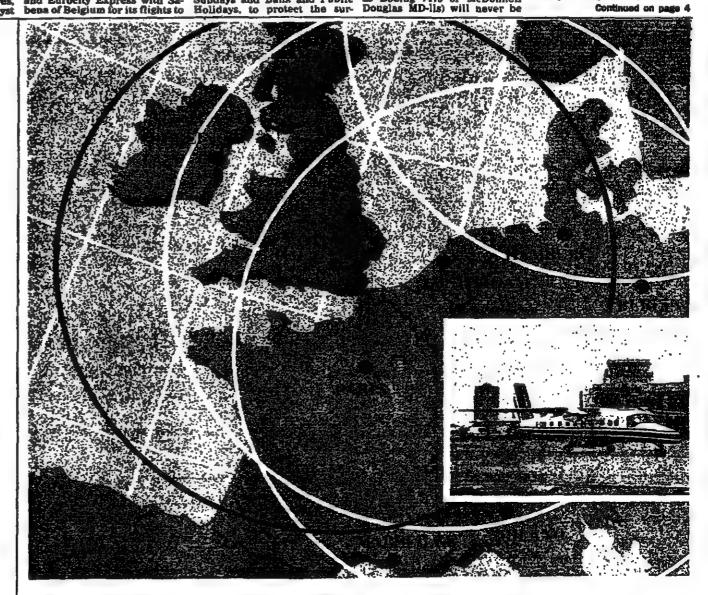
### Now let's keep it quiet.

To the London Docklands Development Corporation and to John Mowlem & Company on the triumphant completion of the London

To Brymon Airways and to Eurocity Express on introducing the first STOL services to business centres of Great Britain and western Europe. From the Dash 7, which takes unabashedly



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### **Specially-created carrier**

OF THE TWO UK airlines cur-rently licensed by the Civil Aviation Authority to operate air services into and out of the Stolport, one, Brymon Alrways, is already an extensive and expanding regional operator, while the other, Eurocity Express, has been specifically created to conduct Stolport services by Mr Michael Bishop, chairman of the Airlines of Britain Group which also includes British Midland Airways, Manx Airlines and Logan-

Eurocity Express has been licensed by the CAA to fly between the Stolport and Amsterdam, Paris, Brussels,
Rotterdam, Guernsey, Jersey,
Dusseldorf and Manchester.
Mr Bishop says that before
proceeding with the launch of
Eurocity Express, his group
"carried out considerable market research to establish the

profile of passengers likely to use the proposed services. Businesss travel will be the dominant feature of the new services and we shall be using the experience gained over 33 years of operating scheduled services to tailor this new airline preservices for the husiness. line primarily for the business-

It is Eurocity's belief that small sirlines, with their em-phesis on the individual needs phasis on the individual needs of their passengers, are likely to be the most successful at the Stoiport. The business market to and from the City of London is a specialist market, and Mr Bishop stresses that "Eurocity Express is designed to serve that market with the backing and experience of its associated companies in the Airlines of Britain Group."

Britain Group."

Mr Bishop says he decided to compete directly with Brymon Airways from the first day of

that potential sites have al-ready been mooted in Amster-dam, Glasgow, Manchester, Par-is and Zurich. more frequencies on more routes from the first day, the more people will use the air-

port."

He says that although the "It is also likely to lead to dra-matic changes in the way many business and other travellers will regard transport to and from the metropolis. "And at the same time, people Stolport network will account for only about 15 per cent of the total activities of the Airlines of Britain group, it has cost some 15m in investment to set up the operation to date. He expects Eurocity to earn profits within

three years. European short-haul air travel

Success in London will inevi-tably mean an acceleration of plans which are presently little more than pipedreams for similar projects in principal European cities," says Mr Jonathan Wilson, Eurocity's director and general manager. "It is believed

> everything will be, in the air-line's own words, "discreetly The complimentary food and drinks will be to the best international standards and Eurocity will provide such conveniences as hanging space for suit carriers, car rental and taxi reservations and, eventually, airborne telephones.

> Eurocity is taking a long-term view of its involvement with the Stolpurt, and has suggested amendments to the plans for the proposed East London River Crossing (the suspension bridge planned for construction just downstream of the Stolport runway), that would change its design to eliminate the towers which might be a hazard to future types of aircraft using the

These amendments include either a bridge without towers or even a tunnel, neither of which, it is claimed, would add significantly, if at all, to the

Such amendments to the pro Such amendments to the pro-posed crossing, now under study, would, it is is hoped, eventually allow the airline to use the 90-seat British Aero-space 146 quiet jet airliner at the 5tolport.

This, Eurocity claims, would guarantee the airport's success well into the next century, enabling routes to be launched to more distant destinations, including Copenhagen, Milan, Zurich, Frankfurt, Madrid and Munich.

Michael Donne

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MORE O'FERRALL ADSHEL AIRPORTS DIVISION

### Pedigree of experience

BRYMON AIRWAYS was the first airline to become involved in the London City Airport, or Stolport, as the short take-off and landing airport was called when John Mowlem, the construction company first proposed the idea in December 1982.

Brymon has been involved with

The airline was also the first The airline was also the first and (then) the only one in Britain to operate the Dash Sev-en four-engine, short take-off and landing aircraft, with 50 seats, one of only two types of aircraft permitted to operate from the airport. The other air-craft is the de Havilland Twin living in a buge area extending from the Medway towns to much of Essex, should find the Thames-side airport much handier to use than their present choice of Heathrow or Gatwick." The airline, already dubbed the "Pinstripe Special" because of its distinctive logo showing a businessman's jacket, collar and tie, will operate up to five of the Dash Seven turbo-propa.

This pedigree has ensured that Brymon Airways has more experience of the Stolport project and the short-take off and landing aircraft required to op-Speed and service will be the erate from the airport, than its rival at the London City Airport, watchwords on Eurocity's services. From the facility of a tenminutes prior-to-departure check-in, to the in-flight catering showed the 44-act in light showe Eurocity Express, but Eurocity is gaining experience of its

Brymon has been involved with Stolport from the beginning

October 1983, when he succeeded Mr Bill Bryce, founder and principal shareholder of the Brymon group. This was after the airline had become involved with John Mowlem in promoting the Stolport concept for the Docklands.

Nevertheless, it has been largely up to Mr Stnart to help lift Brymon from its past sluggish performance and provide the marketing ideas that are likely to be crucial to the suc-cess or fallure of Brymon's

Dash Seven aircraft fast and a flerce fight for passengers has already started.

Brymon is based at Plymouth, Devon and until the advent of Stoiport, has had a relatively hard time trying to maintain profitable services and expand on to new routes. Brymon hopes the opportunities it has at Stoiport will change all that.

Mr Charles Stuart, a former marketing director of British In the event, Mr Stuart came to Brymon at the request of de Havilland Canada, which acquired Brymon in December 1983. He intended originally to stay "no during 1985 to help de Havilland sell Brymon to British interests. In the event, Mr Stuart and his colleagues acquired Brymon, with a minority trade invest-

a holding company which embraces Brymon Aviation, trad-ing as Brymon Airways, and Brymon Airports, trading as Plymouth City Airport. Mr Stuart is the head of all these

Brymon began air services as Brymon Avistion in June 1972; when a nine-passenger Islander aircraft flew from Newquay Air-port, in Cornwall to begin the first scheduled passenger flight of the new airling. The aircraft flew to the Isles of Scilly.

The airline acquired its first Dash Seven in mid-1981 and made the first landing of the aircraft in the disused Docklands, at Heron's Quay in the Isle of Dogs, exactly one year

The airline applied to the Civ-il Aviation Authority for li-cences this year to operate the Dash Seven for inter-city flights

from the London City Airport. For most of the time from the first Docklands landing to the hearing for route licences, Brymon was the only applicant, although subsequently five rival airlines attempted to win licences, with Eurocity Express the only other one to succeed.

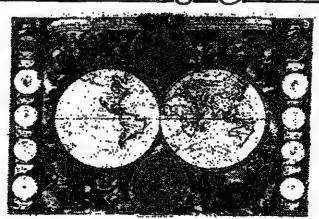
Brymon was awarded licence to operate from London City to Paris, the first service from the airport to start from October 26, with the operational opening of the airport, and to Brussels and Amsterdam. There will also be a Brymon service from London City to Plymouth/Newquay.

Brymon now has three Dash Sevens It has ordered two more for delivery before next April. to serve Amsterdam in April, to serve Amsterdam in April and Brussels at a later date to be decided. The airline is also evaluating further routes, in-cluding Exeter, Jersey, Belfast Harbour and Frankfurt.

To serve all these destinations, Mr Stuart and his team have conceived "Cityclass" as a fresh approach to attract business travellers. Mr Stuart wants Cityclass to become known as the automatic way for Stolport passengers to travel - in the same way that the shuttle concept has become a way of des-cribing a turn-up and take-off

Lymon McLais

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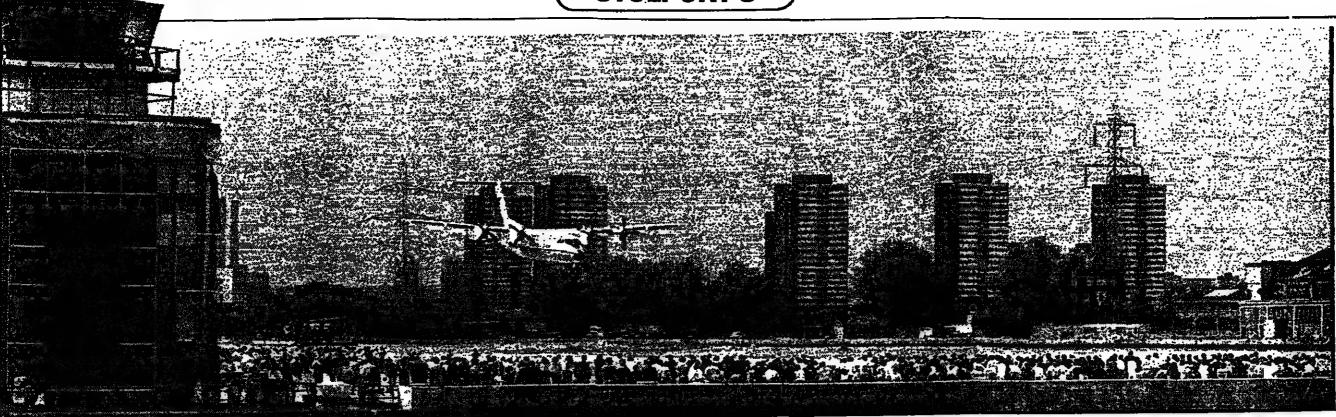
Throughout the creation of London City Airport the practice's planning lawyers have been deeply involved, drawing on our twenty five years' experience in planning and environmental law to facilitate the progress of the project at every stage.

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Traffic projections suggest that the airport's developer can expect financial success, says Michael Donne

### Aim of reaching break-even in three years

THE skin COST of building the London City Airport so far is being met by John Mowlem, the airport developer, owner and operator, in several ways.

A loan of £3m has been obtained from the European Investment Bank, with another £3m being covered by loans from other financing institutions now being discussed. The remaining £16m is being met from John Mowlem's own internal resources, to ensure a debtequity ratio on the venture of

on express in to lead - with the sirpert's exceed high-rise surroundings some imbine

John Mowlem expects the airport to break even within three years, and to start earning profits thereafter. This projection is based on estimates of traffic reaching about 58,000 passengers a year by 1990 (of which about 700,000 will be international passengers a year by 1990 (of which about 700,000 will be international passengers) are served 60,000 and 900,000 international passengers) is reached around the mid-1990s.

Traffic growth thereafter, beyond the airport's capacity of the airport is capacity of the airport is capacity of the airport is capacity of the conceases in the number of passenger and the air capacity of the solid of the capacity of the solid of the capacity of the part of the airport is capacity of the conceases in the unitally of the capacity of the ca

through "traffic charges" - land-ing charges, aircraft parking and other fees payable by the airlines - with the other 20 per cent coming from "commercial charges", such as rents from concessionaires.

The landing fee per tonne for a Dash Seven airliner (weighing

sions will include the charges for the duty-free shops, car hire franchises, hotel reservations desk, an estate agents' desk, a bureau de change, restaurant and bars, tobacconist and confectioner's shop, car parking, advertising, a business centre and freight-handling agencies.

#### Construction

### Varied solutions on an unusual site

Stolport involved some unique civil engineering problems, in-cluding building the apron where the aircraft will stand over a water-filled dock.

over a water-filled dock.

The 92-acre site is bounded by
the Royal Albert and King
George V docks, on the north
side of the Thames. Both docks
are to remain filled with water,

The apron where the aircraft building itself, are at the west-ern and of the King George V dock Construction has been completed in 18 months, under the control of Mowlem Manage-ment, in association with archi-tects Richard Seifert & Partners and consulting engineers Donald Butler Associates.

Donald Butler Associates.

The two-storey concreteframed warehouses which covered much of the site had to be
demolished before construction
could begin. Of the three dry
docks penetrating the site, the
one at the eastern end of the
King George V dock provided
the greatest challenge since it
was just in front of the terminalbuilding site where the aircraft
apron was planned.

This 250 metres by 30 metres

This 250 metres by 30 metres dock had to be decked over, as filling alone would have provided insufficient bearing strength for the aircraft, and would have

for the aircraft, and would have led to compaction.

The dock was temporarily dammed, then pumped dry. A total of 128 columns were then erected, rising from the dock base in two rows. Universal steel beams 30 metres long were

Once this slab of concrete forming the aircraft apron was forming the aircraft apron was complete, the dock beneath was flooded again since the water provides long-term stability for the dock walls. The airspace above is permanently ventilated to prevent the build-up of

The two other dry docks along the south quay of the Royal Al-bert dock were filled without

design changes on the ground ing the access gates to the air-floor to be incorporated simply craft extends westwards from by modifying the concrete the terminal building and is 300

difficulty, as peither is on the path of the runway pavement, but rather form part of the flat area at each end.

The single runway was then built along the east-west axis on the 149-metre quay between the Royal Albert and King George V dock, although its declared length is 762 metres, the total surface area is 1,030 metres, 30 metres, its endangement of the structural frame was constructed using piled foundations, and incorporates a movel frame of reinforced concrets wide, with a 60-metre diameter turning circle at the eastern and and two 15-metres wide, with a 60-metre diameter turning circle at the eastern and and two 15-metres wide, with a 60-metre diameter turning circle at the eastern and and two 15-metres wide, with a 60-metre diameter turning circle at the eastern and and two 15-metres wide, with a 60-metre diameter turning circle at the eastern allowed a start on site while waiting for the design changes on the ground floor to be incorporated simply by modifying the concrete framework. The structural frame was constructed using piled foundations, and incorporates a movel frame of reinforced concrete up to first floor level with stell above.

This type of frame allowed a start on site while waiting for the design changes on the ground floor to be incorporated simply by modifying the concrete framework. The structural frame was constructed using piled foundations, and incorporates and then roofed over, anabling work to continue inside. Externally, the 8,000 square metre builting the concrete work to continue inside. Externally, the 8,000 square metre turning circle at the earth of the king George V dock, the king George V dock the king George V dock t

the terminal building and is 300 metres long. This provides a covered way for passengers to reach the aircraft stands via gate lounges.

The design includes a steep pitched roof to act as a noise acrean for neighbouring properties.

initially, four for international flights, two for domestic flights and one for mixed operations as are planned, as passenger throughput rises. The site also includes a num-

The site also includes a num-ber of minor structures, includ-ing a power sub-station, mainte-nance hangar and fuel store, with a disused dock office building at the western end of the site converted to house the fire, rescue and maintenance teams, with appliance garaging adiacent

adjacent. The interior decor of the terminal building, designed by Richard Seifert & Partners in conjunction with interior design consultants The Jenkins Group, emphasises "convenience" with a simple and classic design.

aic design.

The aims of the terminal are to offer fast departure and arrival without queues, with quick and easy access to aircraft, while also providing the full range of amenities expected by presented the research of aircraft. ted by passengers at any airport business and other facilities, a high-quality restaurant and prestige range of bars, lounges and retailing facilities.

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LONDON CITY AIRPORT



Air traffic pattern

### Meeting the challenge

port posed a considerable chal-lenge for air traffic control planners, but the airport was liplanners, but the airport was li-censed to handle passenger flights earlier this month. The first flight with passengers took off on October 14 and the ATC team was elated with an unusu-al ich completed successfully

al iob completed successfully. The problems were related to the airport's unusual site; its relation to the rest of the London air traffic control area, one of the busiest in the world; and to the government planning au-thorities insistence that only a specialised short take-off and landing airliner would be permitted to use the airport.

The site itself is hemmed in

by tall flats and warehouses, in-dustrial chimney stacks and former wharfside cranes, creating mmediate difficulties in the

landing path.
The London Docklands Development Corporation wants to preserve the cranes as a re-minder of the former seaborne Docks, yet their existence along the Royal Victoria Dock, directly in line with the runway, re-stricts the type of aircraft that

uninterrupted grass.
In addition, the airport site is flown over by aircraft en route to the other London airports, especially Heathrow to the west of London. So the air traffic control requirements of the Stolport came in addition to an already

demanding ATC pattern in Lon-don and South East England. The use of a specialised short take-off and landing airliner and no other, more conventional, airliners added to the complexity of the problems. Mr Gordon Doggett, group general manager for England and Wales at the Civil Aviation

Authority, who is responsible for management of the air traf-fic services provided by the National Air Traffic Control Service at Heathrow, Gatwick, Stansted and other airports, said recently that the develop-ment had stimulated and fascinated the minds of many ob-servers," especially those involved with the aviation in-

The airport is the first all-new

stark contrast to conventional CAA in England for 40 years, airports surrounded by acres of For the CAA, it has meant the CAA in England for 40 years. new set of criteria and procedures to allow the operation of short take-off and landing aircraft into and out of an inner

city site," Mr Doggett told a re-cent conference on the airport. The Dash Seven can take off in a runway length of little over 2,000 feet. It is certified to land at an angle of 7.5 degrees, or more than twice as steeply as conventional aircraft. The Dash Seven can land at the more conventional approach angle of 3 degrees, but the 7.5 degree angle is required for the airport's approaches to avoid current nd future obstructions and to

minimise noise

Mr Chris Platt, the airport's manager of air traffic control services, says that until the ad-vent of London City Airport there were no procedures writ-ten by the Civil Aviation Au-thority for such a high angle of approach. The procedures had to be written specially for the new airport and were completed after trials of the 7.5 degree approach at Stansted Airport.

The intensity of air traffic don's other airports, Heathrow, Gatwick, Stansted and Luton has meant careful planning to avoid "possible conflicts," Mr

Doggett said.
The new airport is not in an ideal position for air traffic control purposes. The other London airports appear distant on a map, but the traffic patterns of aircraft using them traverse the airspace above and adjacent to the new airport. This makes in tegration of the Docklands airport's traffic into the estab-London Terminal Control Area "very difficult," especially since the control area comes down to a height of 2,500 feet above the new airport and is the zone used by aircraft bound for Heathrow.

Because of these complexities, the air traffic into and out of the Docklands airport is controlled from Heathrow, with its comprehensive radar facilities that give the fullest picture of air traffic in the whole region.
The National Air Traffic Con-

trol Service recommended that a "special rules zone" be established to cover the airspace around London City Airport and this was set up on October L It requires aircraft wishing to enter this airspace to call on the radio for permission from the Heathrow controllers. Heathrow then puts the air-

craft into the correct position for the approaches to the London City instrument landing system. About four to five miles from touchdown, a telephone call from Heathrow to London City hands final control to the controllers at the new airport. No aircraft can be cleared by the local controllers for take-off without clearance from Heath-

services is provided by the CAA through NATS, under a contract awarded by London City Air-port The contract includes air raffic controllers and air traffic engineers.

The approach radar control unit for London City was installed in the Heathrow Approach Control Room, operating from two specially installed radar consoles. It uses the radar nature obtained from Heathpicture obtained from Heathrow's own radar. No new radar detection equipment was installed at the new airport.

Lynton McLain

#### The operating requirements are exacting, says Michael Donne

### Stringent conditions set for licensed aircraft

THE ENVIRONMENTAL and operational conditions for the tolport which were recommended by the public planning inspector, and accepted by the Secretary of State for the Environment in approving the proj-

ect, are severe. They lay down that the operational length of the runway does not exceed 762 metres, thereby effectively restricting the types of aircraft that can use the Stolport to those with good short take-off and landing character-

There is actually a total length of concrete of some 1,030 metres, stemming from the pro-vision of what is called an "overlapping runway - in effect addi-tional areas at each end to ensure that the full 762 metres of operational length is available for use no matter from or take-off with the required 7.5

legrees slope is made. One reason for this is that adequate clearance must be built into the approach and take-off patterns to take account of the proposed nearby East London River Crossing, currently envis-aged for the early 1990s as a suspension bridge with tall towers.
Although there is pressure to revise the bridge design to remove the towers, the airport operator cannot guarantee that such a proposal will be accepted, and has to plan on the assumption that the suspension-type bridge may be built.

Except in emergencies, fixed-wing aircraft only will be allowed at the Stolnort which

allowed at the Stolport, which means no helicopter operations other than in emergencies. Nor will there be any club or recreational flying, and all flying must be within the hours of 6.30am and 10pm Mondays to Saturdays, and between 9am and 10pm on Sundays, Bank and Public Holidays.

The number of daily aircraft ats is restricted to 120 on weekdays and 40 on week-ends and public holidays, and in any event, not more than 30,160 movements a year will be

The types of aircraft initially allowed at the Stolport will be those meeting the combined effect of these stringent condi-tions, especially relating to noise, and having the desired short take-off and landing perde Havilland Canada DHC-7 (commonly called the Dash Seven) four-engined 50-seat turbo-prop, or the same manufacturer's 20-seat DHC-6 or Twin Ot-

some respects than the Dash Seven, but because some forseven, but because some for-eign operators may wish to use it (with well over 850 built, it is now one of the most popular light transports in the world), exception is being made for it on the basis that one Twin Otter movement counts as equivalent to 3.63 movements by the quiet-

The Dash Seven is initially the preferred aircraft of the two airlines currently licensed to use the Stolport - Brymon Air-ways and Eurocity Express. Each already has two of these sircraft in its fleet, with more to be delivered, and both opera-tors have built up extensive ex-perience with them in readj-ness for Stolport operations.

Although designed primarily as a 50-seater, Brymon will use it with 46 seats and Eurocity with 44-seat layouts, to provide the higher standards of comfort considered necessary to attract

business travellers.
So far, no one has asked to use the Twin Otter, but such applications cannot be ruled out in future. Clearly, however, major ex-

pansion of traffic at the Stolport will be based on the wider use of other types of aircraft in the years ahead, provided these can meet the same stringent noise and short take-off require-

The immediate interest in al-ternatives lies in the West German Dornier D0-228, a twin-en-gined turbo-prop light transport seating up to 19, and designed especially for utility and conmater-style operations. It is already in extensive service worldwide, with more than 150 delivered.

Becent flight tests for the Civ-fl Aviation Authority showed that it could successfully fly the required 7.5 degrees approach path into the Stolport, and Dor-nier expects that some airlines will ultimately opt to use the DO-298 there.

Manx Airlines (part of the Airlines of Britsin group of which Eurocity Express is also

This means, at least for the a member) is considering it for immediate future, the use of the a possible service linking the Stolport with Blackpool, while Dornier reports considerable interest from airlines through-out Europe. A French sirline, Air Vendee, is studying the possibility of a European connec-tion to the Stolport using the

> Some owners of small executive turbo-props have also expressed interest in using the Stolport. They will be allowed to do so only if their aircraft can meet the strict noise and Stol characteristics laid down, and are strictly employed forbusi-

> There are a few such aircraft which, skilfully piloted, could meet the requirements. But so far no one has applied and any such aircraft movements would have to fall within the total number of movements permit-

But even before the Stolport opens for business, there has been discussion of eventually moving up from the turbo-prop Dash Seven into the jet era, us-ing the British Aerospace Type 146 90-seat regional jet airliner, with Eurocity Express in partie-

ular showing interest.

Inevitably, the idea is highly contentious, and has already been greated with concern by residential communities around the Stolport, who argue that such a move would make nonsense of all the claims so far that the airport will be a "good

neighbour."
Although the 146 is one of the quietest jet airliners now flying, and has demonstrated good short take-off and landing charton take-off and landing charton. acteristics, any use of it at the Stolport would be acceptable only if it can meet the stringent only it it can meet the stringent noise rules already laid down. To rewrite those rules to allow the 146 in would be bound to create fierce hostility among lo-

create fierce hostility among lo-cal environmental groups.

The design of the proposed new East London River Crossin-gis also significant, for even the 146's undeniable short take-off and landing capabilities would be restricted by a suspension bridge with tall towers.

Råe has said, however that a

BAe has said, however, that a revised bridge design without the towers would enable the 146 to use the Stolport with a less demanding 5.5 degrees approach glide-path. The 146 would also require

of runway concrete over the to tal of 1,030 metres (including the length of the "overlapping runway") currently available, to a lotal of 1,199 metres, to emple it to operate into and out the airport. Space for such an exten-

sion already exists.

At present, the case for using the 146 appears to be hand both on passenger traffic at the Stolport exceeding original expectations, requiring the use of the latest and the stoles. the larger aircraft so as to contain that traffic within the limits for aircraft movements aircraft laid down, and on the possibility of any airline wishing to introduce longer-haul

routes than are currently possible with the Dash Sevens.

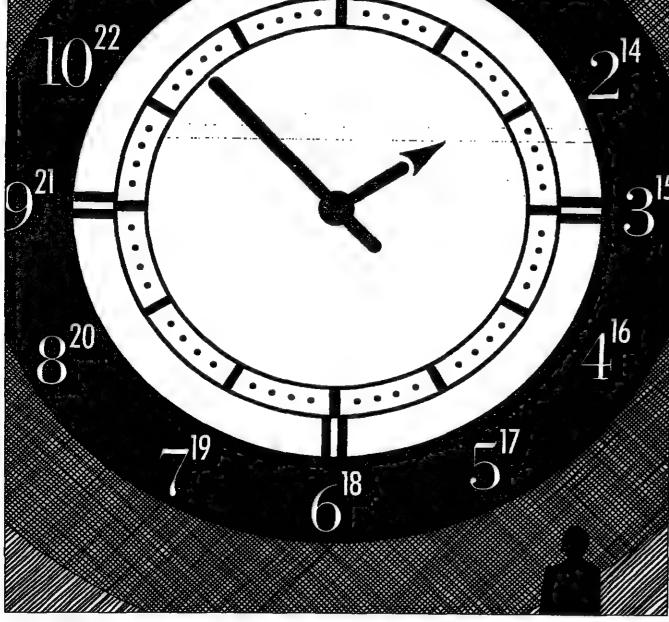
The benefit to passengers in faster journey times derived from the greater speed of the 146 over the Dash Sevens on the short-haul routes currently planned from the Stolport would be minimal, and would only start to become significant to travellers if longer-haul routes (say, upwards of 400 miles) were flown.

Both - the need for larger air-craft and for longer-range routes - may well become mevitable in the early to mid-1990s, by which time the Stolport will be well established, and a much clearer picture of the pattern of traffic there will be available.
In view of the tight planning

In view of the tight planning controls already being imposed, it seems likely that any request to use the 146 at the Stolport would be the subject of a renewed public planning inquiry possibly forced by local caviroamental objectors even if not required by the Government it-self - involving a thorough ex-ploration of all the factors in-volved.

Nevertheless, it remains an option for the future. Mr Ron Bustin, executive director, technical sales, in BAe's civil aireraft division, says that without jet speeds, the London City Ai-port will represent a wasted op-portunity in the longer term.

The airport will prove to be a good neighbour with the quiet turbo prop Dash Seven, but to realize its full potential it will require the higher speed and longer range of turbo-fan (jet) aircraft to compete effectively with Heathrow and other je



# HOW WE'RE KEEPING UP

Peat Marwick McLintock are delighted to be associated with the exciting developments taking place at the new London City Airport.

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Corporation and John Mowlem & Company, we are committed to be at the forefront of new initiatives in the development of transport services and urban infrastructure.

For evidence of our support, the concourse of the new terminal.

KPMG

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### **Take-off for** the City

cially use of the 146, despite its low noise volume and undenlable short take-off and landing capability, is the current plan to build a new East London River Crossing by the early 1990s.

As presently envisaged this would be in the form of a suspension bridge with tall towers, crossing the Thames a little downstream from the Stolport.

Neither John Mowlem nor Brymon and Eurocity object to the development of a new river crossing - indeed, they believe that it will enhance the catchment area of the Stolport by making it easier for those living south of the Thames to reach it.

Their concern is over the design of the crossing, and they have suggested that it could be revised to eliminate the towers, without either hindering shipping in the river or increasing costs.

REGIONAL AIRPORTS

AND AIR SERVICES

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networks as soon as possible, and expect to have all their licensed routes operational within the next year.

But other fixed-wing short take-off and landing aircraft types could be on the way to the Stolport, such as the West German Dornier 223 twin-engined turbo-prop for short-haul domestic and international services, and the British Aerospace 90-seat 146 jetliner.

One problem that could infinence that possibility, and especially use of the 146, despite its low noise volume and undeniable short take-off and landing approach to an airport runway.



of the Association of Consulting Engineers.

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### London & Scottish banks' balances

as at September 30 1987

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the committee of London and Scottish bankers and cover the business of their offices and their subsidiaries which are listed by the Bank of England as falling within the monetary sector.

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	.,	-,		I stone	Other	21,000	55.072			1.
ASSETS	_	_			Bills		432		- 618 + 16	
Herling					Advances:		4554		+ 16	1.
Cash and balances with Bank of					UK private sector	8.945		-		Ι.
England:					UK public sector	765		- 273 + 3		
Cash ratio deposits	528				Overseas regidents	15,236		- 287		1.
Cash ratio deposits Other balances	2,356		- 84		A Lat Low 1 delinance statement of the	Telection	24,547	- 601	- 557	Ι.
		t,88%	-	- 84	Other fereign ourrancy assets*		8.588		+ 83	
The state of the s					Andet southing and temporal		01000		1 00	1 '
Market leans:					TOTAL ASSETS		301,431		+4.052	١.
Discount houses	4,881		+ 279							
Other UK monetary sector			- 510		Acceptances		5.285		- 192	13
UK monetary sector CDs	3,935		- 699		Eligible liabilities		126,946		+3.328	
					spense and in transit					

	* Includes items in suspense and in transit								
TABLE 2. INDIVIDUAL GROUP BALANCES	CLSB	Bank of				National	Reval Bk.	Mandarit	
LIABILITIES OUTSTANDING	groups Em	Scotland 2m	Barclays Em	Lleyds Em	Midland Em	Watenesty,	of Scot.	Chartered	TSB Em
Sterling deposits	189,875	6,933	40,899	27,253	29,866	49,726	19,330	3,844	12,744
		+177	-78	+159	+553	+884	-286	+95	+429
Foreign currency deposits	72,469 1.559	1,863 +43	12,897 -753	9,824 152	12,948 +133	22,556 -418	4,324 253	8,545 85	201 +25
Tetal deposits		7,996 +219	54,706 -831	36,278 +7	42,035 +686	72,282 +467	14,715 -638	12,389 +10	12,945 +454
STERLING ASSETS OUTSTANDING Cash and balances with the Bank of England Change on month	2,883 -84	289 ~36	492 +36	301 +34	\$17 -73	250 30	584 -2	28 +7	143
Market loans—UK menetary sector	36,157 -131	990 +166	6,671 -563	4,365 +75	\$,198 +191	12,567 -282	1,361 -316	1,140 +196	2,961 +482
Other	11,176 -258	185 -1	<b>2,654</b> 198	1,253 108	1,330 +252	8,158 -3	508 128	282	1,656 - 169
Change on month	5,288 +657	214 10	1,245 +125	1,252 . -50	262 +178	1,297 +447	414 +58	<b>69</b> +5	544 -88
British Gevernment stocks	5,355 +448	128 -47	1,196 +137	548 +12	\$39 +236	590 +15	252 +6	298 +3	1,632 +96
Advances Change on regain	128,356 +3,447	5,959 +46	39,134 +786	19,920 +336	21,784 +640	22,142 +1,398	8,490 +229	8,386 -127	6,541 +128
FOREIGN CURRENCI ASSITTS OUTSTANDING Merket boxes and bills Change on month	55,505 602	584 +129	19,979 -345	7,331 +68	2,867 +292	18,936 -659	3,225 +8	6,158 -193	328 +98
Advances Change on month	<b>34,947</b> -557	772 -45	2,676 -123	3,476 -51	6,847 -55	5,806 99	1,493 -286	3,405 +108	74
ACCEPTANCES OUTSTANDING.	5,285 192	211 41	1,445 -79	323 -50	1,118 -73	1,365 +96	444 -48	238 18	196 +12
ELIGIBLE LIABILITIES OUTSTANDING	136,946 +3,226	5,897 -12	32,410 +1,044	21,694 +2 <u>16</u>	23,196 +522	38,576 +1,195	8,549 +284	2,597 94	9,118 +184



Rabobank Nederland

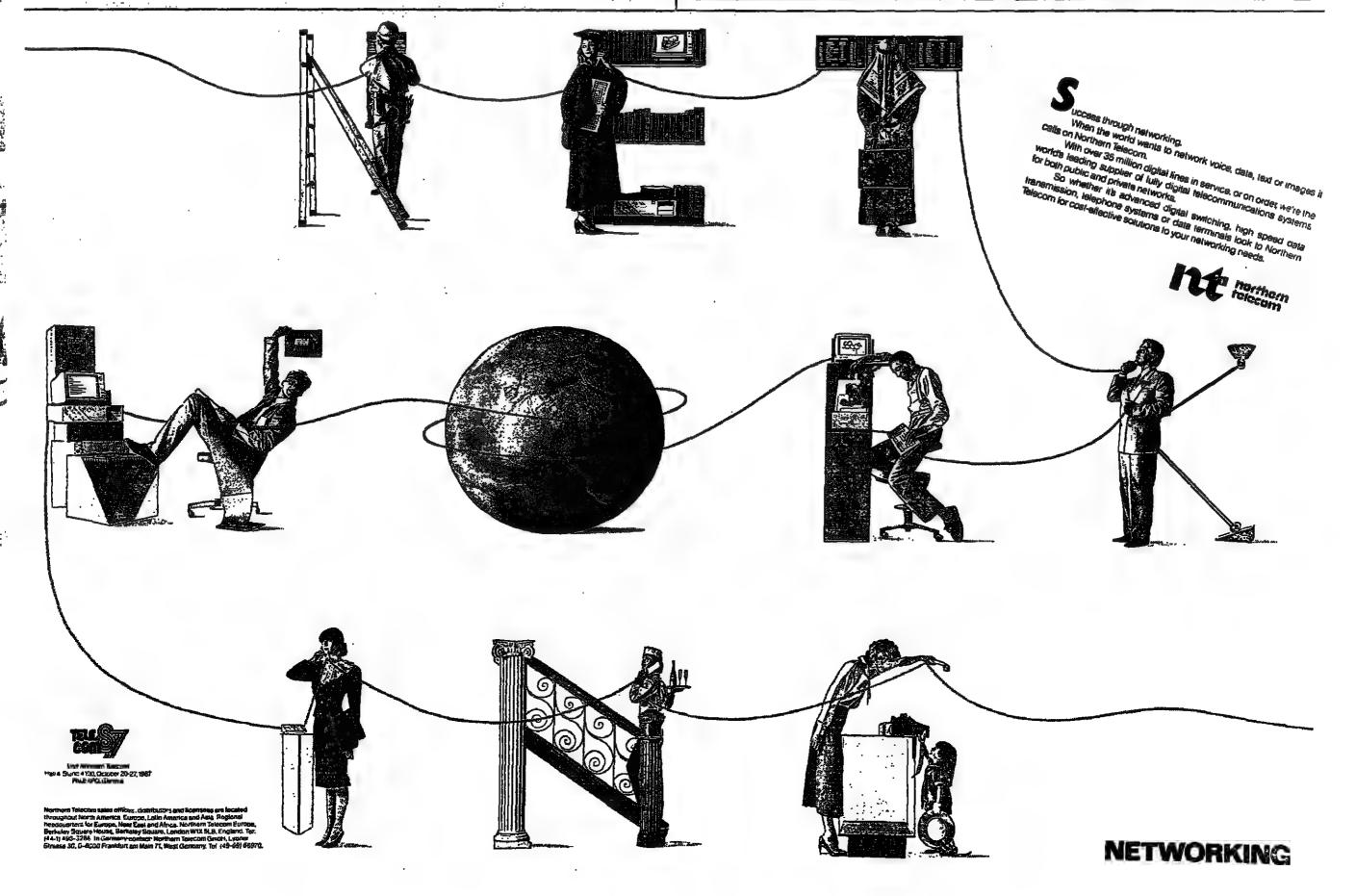
Wood Gundy Inc.

Westdeutsche Landesbank Girozentrale

Österreichische Länderbank AG

Westfalenbank Aktiengesellschaft

Shearson Lehman Brothers International



### **WORLD MARKETS**

#### FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzin & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS		Pill	LT DETROEX	23 1967		THURSDAY OCTUBER 22 1987			BOLLAR TROEK		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency index	Gross Div. Yield	US Dollar Index	Pound Sterling ladge	Local Carrency Index	1987 19ga	1987 Low	Year age (approx
Australia (90)	119.59	-65	105,72	111.00	3.56	127.90	114.93	118,72	180.81	99,92	90.12
Lustria (16)	96.24	+0.1	85.08	90.22	2.29	96.11	86.36	90.58	102.87	85.53	94.2
ielgium (48)	111.59	-1.7	98.65	104.02	4.54	113.52	102.01	106.25	134.89	96.19	89.3
anada (129)	106.46	-0.3	94.12	101.30	2.95 .	106.77	95.94	101.79	141.78	100.00	97.6
)enmark (38)	110.59	+0.0	97.77	103.60	2.83	110.59	99.37	104.58	124.63	98.18	97.9
Total (122)	90.99	-0.5	80.44	85.26	3.20 2.31	91.41	82.14	86.75	121.82	90.91	96.6
rance (122)	87.14	-0.2	77.04	80.93	231	87.29	78.44	82.30	104.93	84.00	921
lean Koon (46)	133.79	+0.0	117.75	133.64	3.64	133.25	119,73	133,64	158.68	96.89	89.5
ong Kong (46) reland (14)	123 12	+22	108.85	136.7B	3.83 2.29 0.57	120.46	108.23	114.88	160.22	99.50	81.0
r (1819) (177 —	85.14	-1.6	75.27	81.96	2.29	86.52	77,74	84.55	11211	84.22	103.1
aly (95)	131.71	-3.8	136.44	118.77	0.57	136.85	122.97	125.09	161.28	100.00	84.6
lalaysia (36)	124.77	-9.6	110.31	121.33	3.00	138.08	124.07	134,38	193.64	98.24	99.9
Lavies (14)	292.74	-0.2	258.80	520.91	0.58	293.28	263.52	520.91	422.59	99.72	82.4
lexico (14)	102 03	+3.0	90.89	94.31	4.69	99.79	89,66	92.89	131.41	95.89	93.4
etheriand (37) lew Zegland (23) orway (24) logapore (27) outh Africa (61)	104.67	-3.4	92.53	85.51	3.A7	108.40	97.40	89.30	138.99	83.93	79.4
CAN TENNING ATA	139.21	-0.5	123.07	124.95	2.17	139.97	125.76	126.29	185.01	300.00	102.0
Innanora (27)	108.82	-12.9	96.21	104.57	2.36	124.98	112.30	120,20	174.28	99.29	301.4
outh Africa (61)	149.91	-7.8	132.53	113.01	3.71	162.61	146.22	122.60	198.09	300.00	85.7
pain (A2)	145.40	-22	128.54	127.50	3.15	148.69	133.60	131.85	168.80	300.00	80
	116.06	+0.6	102.61	108.37	2.09	115.35	103.65	308.99	136.64	90.85	92.
witzerland (53)	89.09	+0.4	78.76	81.60	2.00	88.70	79.70	82.79	11111	86.70	1 921
nited Kingdom (335)	124.50	-0.7 -0.3	110.07	120.07	4.05	125.41	112.68	112.68	362.87	99.65	90.1
SA (583)	101.29	-0.3	89.55	101.29	3.66	101.57	91.26	101.57	137.42	92.83	99.2
urane (952)	106.12	-0.5	93.82	96.42	3.41	106.62	95.80	98.32	130.02	99.78	92.8
actric Basin (680)	130.95	-38 -27	115.77	118.51	0.78	136.13	122 31	124.76	158.77	200.00	84.9
uro-Pacific (1632)	121.07	-27	107.03	109.71	1.70	124.37	111.75	114.22	243.65	300.00	86.0
orth America (712)	101.57	-0.3	89.79	101.31	3.62	101.85	92.53	107.60	237.55	94.04	99.1
Prone Ex. UK (617)	94.73	-0.2	83.75	88.07	2.87	94.96	85,33	89.50	111.97	93.70	95.2
acific Ex. Japan (222)	121.95	-4.4	107.82	115.21	3.51	127.56	114.62	120.54	164.03	99.92	95.2 89.7
lorid Ex. US (1836)	120.97	-26	106.94	109.71	1.77	124.25	111.65	114.14	143.38	100.00	86.3
forld Ex. UK (2084)	112.25	-20	99.24	106.49	2.24	114.50	102.88	109.44	138.82	100.00	92.8
orld Ex. So. Af. (2358)	113.10	-18	99.98	106.71	2.41	115.15	103.47	309.58	239.47	300.00	92.6
orld Ex. Japan (1961)	104.54	-0.6	92.42	100.71	3.54	105.22	94.55	101.91	234.22	100.00	96.4
	119.33	-1.8	100.19	106.79	2.42	115.A6	303.74	109.71	139.73	100.00	

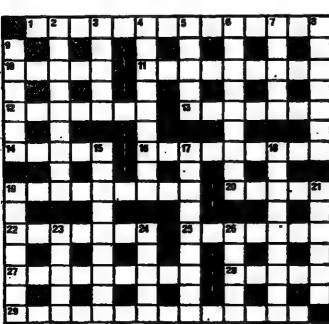
		No.	N 87	Fe	h 55	M	ay 88	
Ser	ies i	Val.	Last	Vol.	Late	Vol.		Stock
COLD P 54	\$400 \$520 \$400 \$460 \$480	50 625 10	74.90 3.30 0.20 5.50	22 20 15	13 14 1950	20	80.50 24	\$472.20
		De	C 87	Mar	ch 80	Ĵu	ne 25	
SILVER O SILVER P MEVEN P	\$800 \$750 \$800	Chilange	40A 40A	Ξ	=	3 -	96	\$755
		La Contract	v. 87		£. 67	- la	r. 87	

GOLD P	\$480	10	14	15	19.50	] = _		*
		De	드 경7	Mar	c) (d)	Ju	M 25	
SILVER O SILVER P BILVEN P	\$800 \$750 \$800	and the	40A 90	Ξ	=	3 -	90	\$755
		No	. 87	De	2. 67		r. 87	
471 G 871 G 841 G 841 G 841 P 841 P 841 P	FI.200 FI.205 FI.210 FI.215 FI.190 FI.195 FI.200	Mai   14	19 19	~9.49,9,~#	170 170 170 170 170 170 170 170 170 170	101111	1.00	P.201.95
			. 86	Ja	e 86		a. 86	
SIFI. C SIFI. C SIFI. P SIFI. P	FL200 FL205 FL210 FL195 FL200	Bero-M3	3.80A 2.50 3.50	258v	4.80A 4.50 6.508	M	7.30	F-201.95
		1	ar. 86	As	r, 86	-	. 66	
ARN C ACCON C	F. 1666 F. 1756 F. 1866 F. 1756 F. 1866 F. 186	37.46 T. 17.17 T. 17.	1508 27.2	25-10   7711112 C	4.30 6.306 10 14.504 17.30 1.30 1.30 1.30 1.30 1.30 1.30 1.30 1	N485   1199 - 4       9   18   1996 -	190 9504 7.30 7.30 7.30 7.30 7.30 4.30 8.11 9.30 9.30 9.30 9.30 9.30 9.30 9.30 9.30	FL34 FL32-36 FL72-80 FL34 FL34 FL34 FL34 FL34 FL34-30

TOTAL VOLUME IN CONTRACTS: 58,735

#### FT CROSSWORD PUZZLE No. 6,465

\*01(EllS



#### **ACROSS**

- 1 Fraternal musicians at Agin-court? (4.2.8)

  error. (5)

  4 Bird needing to eatch food.
- 10 Aim to travel by rail (5)
- 16 Aim to travel by rail (5)
  11 Abominated flower packed in a case. (9)
  12 Heid out and finished going round old city. (7)
  13 Warning former politician about drink. (7)
  14 Take care—it is said explosives have been laid! (5)
  16 Temperate sailor can throw nets out. (9)
- nets out (9) 19 Hardly ever put on lingerie
- 19 Hardly ever put on lingerie perhaps. (9)
  20 What happens in borse-riding competition. (5)
  22 Very hot and dry? Cut out central heating. (7)
  25 Edible pottery. (7)
  27 Set about task of finding tune 24 composed. (9)
  28 Make one piece of equipment with a point at the end. (5)

- Fail comprehensivey to express universal disgust. (4,10)
- DOWN 2 Deserted profligate. (9)

- 3 One who eats some food in
- (9) 5 Bird seen about the night
- S Bird seen about the night before. (5)
  6 Avert revolution by changing ideas. (4.5)
  7 Put legal hindrance on Eastern capital returning trophies. (5)
  8 Most grave, a doctor of divinity in novel Tess (7)
  9 Master tricky current. (6)
  15 One of undisclosed ability unacceptable for light
- unacceptable for light cavalry? (4,5)

  17 Bashful about several games in the bushes. (9)

  18 Skill in carrying out capital
- punishment (9)
  19 Remove lead from fruit in remove lead from fruit in suspect bun. (7) 21 Sway like an adder. (8) 23 Went on horseback round assembly of cattle. (5) 24 Sailor's bird. (5) 26 Windy noise ma" by pig. (5).

The solution to last Saturday's prize prize will be published with names of winners next

### **BASE LENDING RATES**

	76	%	%
ABN Bask	10	Charterionice Bank	Ant Dr. of Kannit
Adm & Corpley	10	Chiback MA	
Allied Arab St. Ltd	10	Oty Merchies Bark 10	Horders Sank Ltd 912
Affied Durber & Co	10	Christole Bast	
Alled Irish Bank	20	Cours. Bk. H. East	PK Photo, hall (010) 18%
American Exp. Dr	92	Considered Cred	
Agera Bank	942	Co-spezitive Bank #10	R. Raphael & Sons 189
Heary Assistion	10	Opras Popular Bk	Restargle Grance 10%
ANZ Banking Group	30	Dencar Laurie 10	Regal St. of Scotland
Agenciates Cap Carp	30	Equat'r'! TatC'p pic 16	Repai Trest Sank 16
Authority & Co Ltd	10	Enter Trest Lad	Santio Williams Secs
Basso de Billion	10	Fiencial & Ges. Sec 30	Standard Chartered 9%
Bank Happopfes	30	First Mat. Fig. Comp	TS8 9 <sub>2</sub>
Basis Lones (UK)	10	First Rat Sec Led 11	191 Metage Sq 111.1
Bank Credit & Come	10	Robert Fleming & Co 9/2	United St. of Knowlt
Base of Copres	10	Robert Frager & Pars	Nated Wittali Bask 95
Back of Instant	10	Gribani 95	Maig Trest PLC
Bank of Ipolis		Grindleys Bank 10	Western Trest
Bank of Scooland	96	Grievers Mathematica 30	Westpac Bank Corp
Bergue Belge Lid		HFC Trest & Springs 94	Whitecosty Leiden 10%
Barciays Back	92	• Haeten Bark 30	Yorkshire Bank
Boxbreck Tx Ltd	30	Heritable & Gas. Tol 10	
Beneficial Treat List	33	• 100 Szenet 310	
Berliner Bask AG	30	C. Hours & Co 10	Nembers of the Accepting
Brit Ok of Mild Exer	%	Horpiory & Sharph 9%	Houses Connecties. +7-4a
Brown Shipley	10	Light Bark 9%	deposits 5%. Saventee 7.66% Top Tier—62,500+ at 3 months
Bookers High Till	10	Mesteraj & Seculation 942	notice 9.31%. At and who
CL Back Nedtriand	20	Mid-rol Bank 9%	£30,000+ member depositor
Consts Personnel	10	• Morgas Greatel 9/2	¶ Murtgage inne rate. § Denses deposit 4.98%. Mortgag
Caper List	10	Mt Credit Cae Ltd 10	11.125% C.7676. Moregany

#### LONDON RECENT ISSUES

Chesing Price £

EQUITIES

later.	Actorit Patri	Lateri Repose	1987		Back	Closing	+ 87	Bet.		Çnes	
Print	10	Date	Pilgit	Law		Price	-	Ditr.	Ow/d	YROU	-
(130	F.P.	20/11	170	130 63 190	Afte 10p	130 63	-8	13.8	22	29	18.4
揚	7.0	_	96	63	#Amer Plastist \$0.01	68	-5	NG2.5c	4.6	24	8.9
	F.P.	लग	240	190	Angle Leading 10:	190	-20	125	1.9	1.9	13.8
•	F.P.	23/10	27	21	Atlantic Assets Writis	21		. –	<b>-</b> i	-	-
£105	F.P.	471	160	110	#6anner Homes 10p	126	-2	82.6	29	2.8	16.5
<b>£100</b>	F.P.	_	162	115	Batte Mining 100	120		_	l — 1	-	_
703	F.P.	_	73	65	CDFC Trest 10p	67		. =	-		_
_50	F.P.	99	113	58	@Corp. Estates Prop.Sp.	70	-3	L0.75	24	15	38.2
5106 10	F.P.		160	128	@Dolphin Pack 5p	135	*****	120	35	20	19.1
10	F.P.	1745	144	8	EFM Dragon Trest.Sp	. Se	-3	-	I — I	<b>   </b>	-
R H	F.P.		266	233	Emplish & Calestonius Inv	256		i —	_		_
32	F.P.	30/10	50	32	€Embura Sp	35°2	-1	-	-	-	_
and a	E.P.		67		First Spenish L. T. Wrots	45	+1	-	- 1	-	- !
40	F.P.	29/10	23	17	Independent for Write.	17			-1	-	_
480	F.P.	-	146	210	(SA Intl. 5p	110	-3	<b>F1.17</b>	4.0		23.A
<b>360</b>	F.P.	_	82	70	*Keep (P.E.) Sp	70					132
<b>£170</b>	F.P.		191	180	Light Thompson 50	280	-8	LA3	21		19.6
£115	F.P.	_	136	300	#Marcol 5p	100	-8	123	21	3.2	21.2
257	F.P.	_	96	25	Moorgate Inv. Warr	79			- ì	1	-
\$100	F.P.	_	108	103	How Courtsey Securities	103	~	_	- 1	1	_
110.55	F.f.	_	227	\$1.4	Partogal Panal \$0.01	SIA	******		= 1	1	_
9123	F.P.	_	111	97	Former Corp. ir. 50.00	97	-3	Q36.9			12.7
988	F.P.		90	86	Record Hidys Sp	85		R2.0	32		13.9
130	F.F.	20/11		180	Security Archives 200	230	-10	94.0	20 (		25.7
(180	F.P.	2000			Startisticity []	172	-3.	-	-1	-	_
250	F.F.	12/12	317	20	& Startupe Prop	2	-20	=	5.1	= 1	=
<del>20</del> 7	F.F.	9/11	98		4URS Ind. \$0.01	25		R4.75			15.0
\$60	F.P.		93 166		#WSP Hidgs. Sp	.75	-3		30	36	u.i
111	64.		700	720	TANKED POPULATION TO A THE PARTY OF THE PART	136		اكته	34	15	
IVED INTEREST STOCKS											

FIXED INTEREST STOCKS Faint Amount Latest 1987
Police Paid Researc Date High Law

				-		1	1				
100 190 100 100 100 100 100 100 100 100	E.P. E.R. E.R. E.R. E.R. E.R. E.R. E.R.	=	1130	97 A A A A A A A A A A A A A A A A A A A	KGB Resumeth 6-21 Cmr. Prif.  Villed Lund. Prope Style Cn. Ref. Prif.  The Track driges Cm. Style Cm. Ref. Prif.  DPE Track driges Cm. 2019  Stylester Held Propes Styles Cn. Cm. Prif.  Resider Held Propes Styles Cn. Cm. Prif.  Resider Held Lam. Red. Cmr. Prif.  Resider Held Lam. Red. Cmr. Prif.  Remider Wirth 11-jes Rid Stylester Ref. Prif.  Privide August 10-ji pc. 123-988  Do. 15Pp. pc. 25x 9-88  lend S-1-3x Cm. 2005  Ramdowards Tst. 7% Caus. Cmr. Red. Prif.  Lected Helgs 1076 Cmr Bat Prif. 2	979 949 11% 3059 1239 1808 1603	1 17 17 19 1年14 1				
"RIGHTS" OFFERS											
Issue Price	Amount Paid	Latest Remand Dass	mine		Stack	Closing Price	ter -				
	MB	-	High	Lów							
569 213	700	_	263pm 28pm	323pm	A. C. Hidge Sp Bleebegkern Miles Comin (T.J. Sp	125pm 8pm	-320				
213 159 510	366	2/12					. 0.				
910			14pm	bear	Conic (7.) 5p	2000	4-2				
	NOR	2/12	43pm	3,000	Hermond Williams	2pm 3pm	+2 -1				
265	JUD	2512 4711	4.3pm 34pm	3 <del></del>	Heywood Williams		-1 -3				
265 450	FILIP Total	#11 #12	43pm 34pm 140pm	3pm 2pm 5pm	Heywood Williams		7777				
265 450 370	III) No.	#11 #11 #12 2011	43pm 34pm 140pm 81pm	3por 2pm 5pm 10pm	Heywood Williams 4Hunter Sapita Klainvert Benzen, L	200 500 1000	-3 -3 -1				
265 450 370	140 140 140 140	2012 4711 4712 27711 13/12	43pm 34pm 140pm 81pm 9pm	3por 2pm 5pm 10pm 3pm	Heywood Williams Helmate Saphte Klahmort Berams, L. Ledirolor 10p Lanca 24p	200 500 1000	-3 -3 -1				
265 450 370	III) No.	#11 #11 #12 2011	43pm 34pm 140pm 81pm 9pm Opes	3pm 2pm 5pm 10pm 3pm 5pm 10pm	Heywood Williams Hellington Staffer Kalmerori Berann, L. Lustender 10p L	2pm Spm 10pm Spm Spm	-3 -3 -1 -2 -8				
265 450 370 76 385 735		202 401 402 2001 1002	43pm 34pm 140pm 81pm 9pm 43pm 65pm	3pm 2pm 5pm 10pm 3pm 5pm 10pm	Heywood Williams Hellington Staffer Kalmerori Berann, L. Lustender 10p L	2pm 5pm 10pm 5pm 5pm 5pm 154pm	-3 -3 -1				
265 450 370 70 385 735 145 45		202 401 402 2001 1002	43pm 34pm 140pm 81pm 9pm Opes	3pm 2pm 5pm 10pm 3pm 5pm 10pm	Heywood Williams Hellington Staffer Kalmerori Berann, L. Lustender 10p L	2pm 5pm 10pm 5pm 5pm 5pm 2pm 2pm	-3 -3 -1 -2 -8				
265 450 370 70 385 735 145 45 200		2012 4711 4712 27711 13/12	43pm 34pm 140pm 81,pm 9pm 43pm 65pm 14pm 18pm 167pm	Spar Spar Spar Spar Spar Spar 10par 10par Spar Spar Spar	Heywood Williams Helliams Saphir Reinword Berann, L. Ludbroker 30p Lunca 20p Lilleshall Honey (A) 20p Honey (London Marria (A) 20p Helliams Props. 5p Hyper Euryland Props. 5p Hyper Euryland Props. 5p	2pm 5pm 10pm 5pm 5pm 5pm 2pm 2pm 3pm 60pm	7777787				
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#### FINANCIAL SERVICES

Financial Services Group £1m+ pre-tax profits seeks reverse situation. USM company-might suit. Principals only in confidence to the Chahman Box H7691, Financial Times, 10 Cannon Street, London ECAP 4BY

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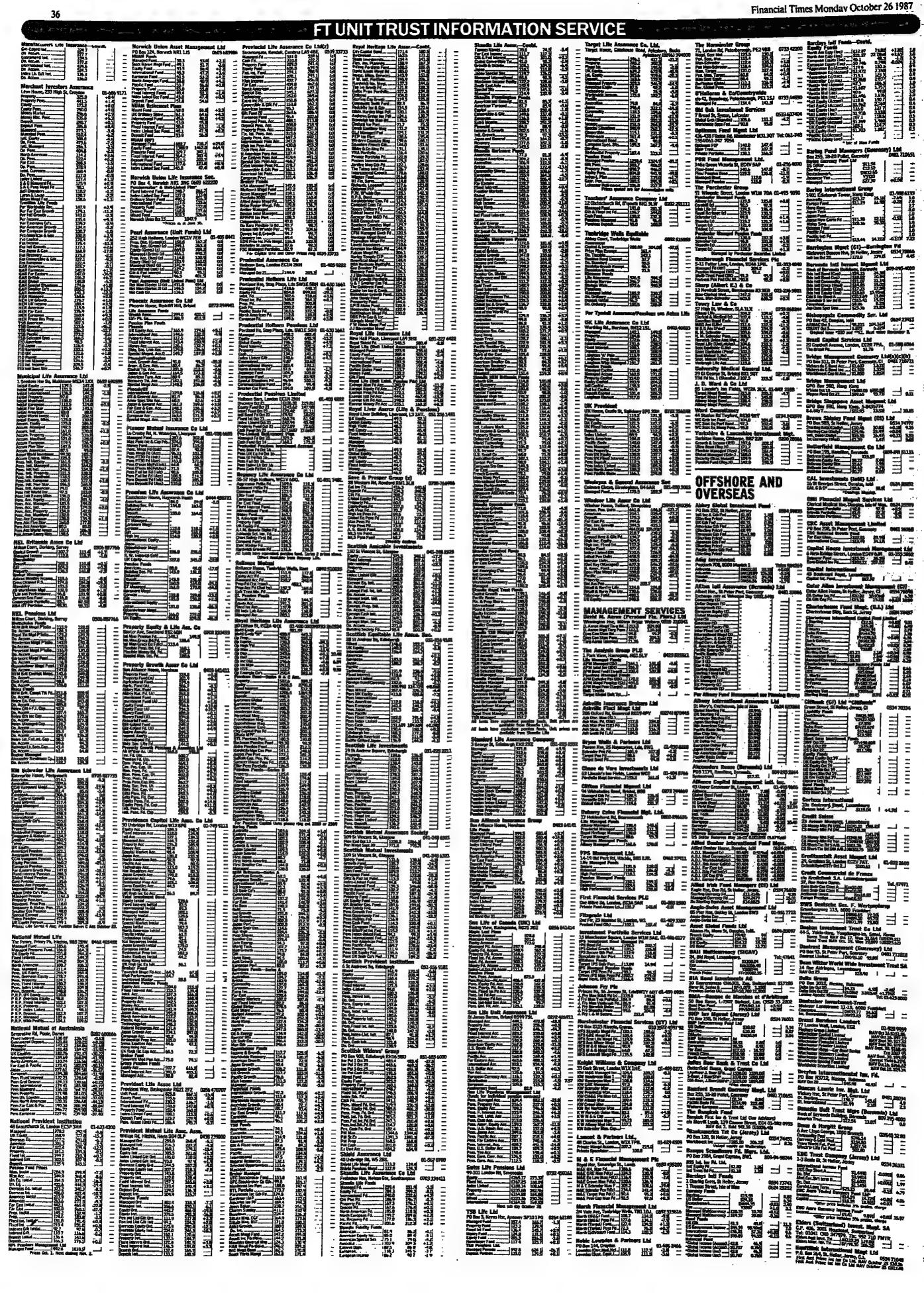
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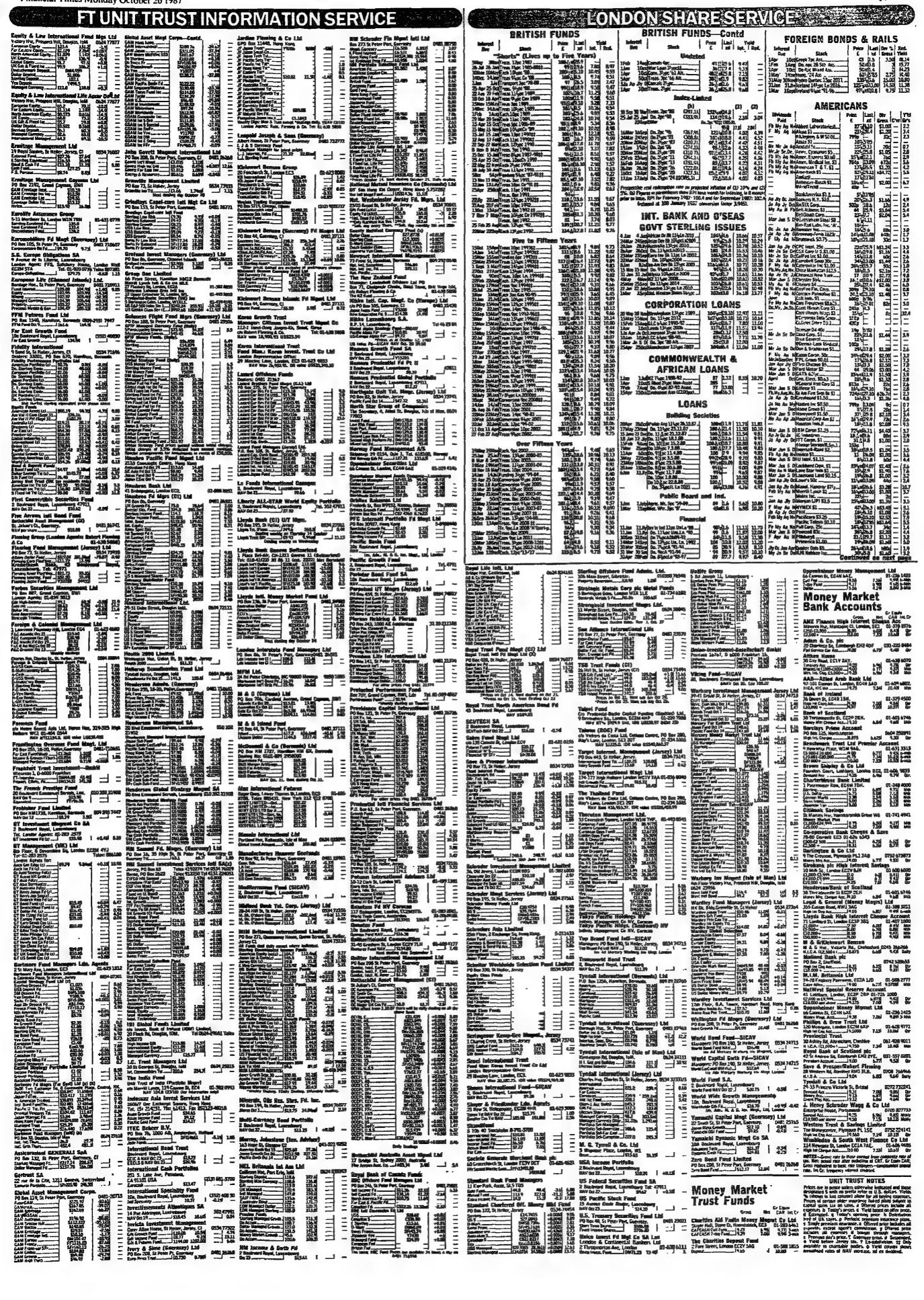
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November 10-12

November 12-22

November 22-28

December 1-3

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Scottish Motor Show (031-225

International Building and Con-

struction Exhibition (01-186 1951) NEC, Birmingham

International Trade and Ser-

vices Exhibition and Conference - EXPORT (01-727 1929)

Business Design Centre,Lon-

Exhibition Centre, Glasgow

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Company Notices

Société Nationale

des Chemins de Fer Beiges (S.N.C.B.)

(B)

Nationale Maatschappij der Belgische Spoorwegen (N.M.B.S.)

US\$ 75,000,000 Floating Rate Notes due 1991

(of which US\$ 50,000.000 have been issued as an initial Tranche)

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from October 23, 1987 to January 25, 1988

the Notes will carry an interest rate of 8346% p.a.

The interest payable on the relevant interest payment date, January 25, 1988 against coupon n°8 will be US\$ 2.137-85 per Note of US\$ 100,000 nominal and US\$ 5,344-82 per note of US\$ 250,000 nominal.

KREDIETBANK

5 A LUXEMBOURGEOISE

Mercury Far Eastern Trust Ltd.

Pacific Fund

Due to the prevailing international stock market conditions which affect the proper valuation of the above company's Pacific Fund's investments, the Manager of the above company amounces that in accordance with its Articles of Association dealing in shares of the Pacific Fund was suspended on 21st October, 1987. Dealings of the Company's Japan Fund was not affected For details of the current position please contact the Managers, Formal notice of termination of suspension will be published in this newspaper.

Warburg Investment Management Jersey Ltd.

3941 Broad Street

FIDELITY PACIFIC FUND S.A.

Panama, Republic of Panama

DIVIDEND NOTICE

At the directors meeting of September 10, 1957, the directors declared a dividend of USSO 18 per share payable on or after September 24, 1937 to represent shareholders of record on September 10, 1987 and to holders of bearer shares upon pre-entation of coupon No. 17, .

Pararg Acera Enediction 5.1 Lavembourgeoise
43. boulerard Rmail L-295 LUNEMBOURG

39/41 Broad Street St. Helier, Jersey, Channel Islands

#### FINANCIAL

COMPANY MEETINGS Burford Group, Salter's Half, 4, Fore Smeet, E.C., 12 00 Eve Construction, Bakers Hall, Harp Lane.

E.C., 11 00 BOARD MEETINGS Finals; Imar City Higgs, McKachma Intertest; Chelsea Arlsans Comec Forward group Grand Central ( unives Trust of Scotland hell Od Co.

Viang Resources Tst DIVIDEND & INTEREST PAYMENTS

TODAY

51200 Cicura Bechary Supply RU1.8
Do 715% Cum Pri RU0.75 General Electric Co. 33cts. Gopeng Berhard Ssen Hambro Countrywide 0.85p Hyman 0 75p Klearfold Inc. 1 7ds. Pifco Hidgs 4p Do A Lum Mg. 4p Rotch 3 25p Rotal Bank of Canada Pitg 1 \$6.7777

ish Eastern Inv Tst. 0 65p Scotten Eastern IIIV 15.0 Cept
Toronto-Domingon Bank (2005)
Wells Furgo Pilig Ratu Sub. Nts. 2000 S68 33
TOMORROW
COMPANY MEETINGSSmcLar Goldsmoth Howard Hotel, Temple
Place, Strand, W.C., 12.00
8/CARD MEETINGSFiliplior

Finale; Japan Assets Trud Majodic Invs Microldin Reprographics Portland Group Brown (N ) Group hida Hidgs INEND & INTEREST PAYMENTS-

DIVIDEND & INTEREST PAYMENTS-Carnella Inte. 7p Exchequer 13' 25 1894 64apc. Exchequer 154 1997 74cpc Harlors group 0 64p Inch Farvish Kajarig Rubber 3p MTM 1p National Westimuster Finance Gid Cap Na. 1992 \$187.45 Sanderson Murray & Elder 5p

Sanderson Murray & Elder Sp Tronch Mints 7 Sen Ultramar 2-3h WEDNESDAY OCTOBER 28 DOMPART MEETINGS Continental Microwave. 1, Crawley Green Road, Luton, Bedictroshire. 12 Od Harvicy & Thompson, 2, Marrow Street, S. 2... 11 00 Sigmar Ind., Butchers Hall, Barthdomaw Close, E.C., 12 00 Space Paring Services, Brewers Hall, Alder-Cioce, E.C., 12:00 Space Planning Services, Brewers Hall, Alder-manbury Square, E.C., 4:00e., 37, Charles Street Berneley Square, W. 2:30 Westpool Inv. Tst., Cartion House, 33, Robert Adam Street, W. 3:00 BCARD MEETINGS

Finals; Union Carbida Cristerheid Proporties Cundell El Oro Mining & Euplin, Elbei (B.) English National Inv El ploration Co FR Group Marics & Spencer PCT Group Rockware

Descutter Bros. 2.7p Epwin Group 1 8p Goodhead Print Group 2.5p

Allied Irem Barries Sub Prim. Cap. Perp. \$193.05 BPP Hidgs 2.6p Borli of Nors Scotta 18cts. Bodorigton Circup 1 47p Brasway 0 85p Canedian Impensil Barrir of Commerce 27cts Canadian Pacific 15cts.

Morgan Grentell 3 850
Myrray Income Trust 4.20
Orched Tech 0 550's
Wyevate Garden Centres 0 730
THURSDAY OCTOBER 23
COMPANY MEETINGSCALA, 42, Colinton Rheaf, Edinburgh, 9.45
Gabacet, Gablicet House, Humber Road,
N W. 4 00
The Mileter, 20 Fenchurch Street, E.C., First Prepared by First Field No. 13
S357 26
First Lesure 3p
Firch & Co. 2 5p
GC Flooring & Furnishings 1.65p
G.T. Japan Inn 1st. 1.3p
GERC, A) \$41 94
Hashor Inn 22.5cts.
Haynes Publishing 3p
Howdon group 74% Deb. 1996/91 3/kpc.
Do 8 4% Deb 1998/91 4/kpc.
Huntleigh Technology 0.5p
Hall (Fig. Rate Nis. 2005 594 06
Lang (John) 2p
Do A Niving 2p
Lowe 4 11cts. Jos Hidgs... 20, Fenchurch Street, E.C., 12.30 12.30 Optical & Medical Intl., 2, Lowndes Place, S.W., 12.00 eachey Property, 19, Stoane Street, S.W., 12.00 12 00
St. Dawlo's Inv Tst. Queens Chambers, 2.
North Stroet, Newport, Gwent, 11.00
Sound Driffusion, Brighton Centre, Kings-Read, Brighton, 2.15
Sumile Cotines, 1, Great Cumberland Place, W. 11.00
Tor Inv Tst., Dragon Hotel, The Kingsway, Swanses, 2.30 Lowe 3 Ticts. Lyon 8 Lyon 1 Sp Marks 6 Spencer 10's Cum. Prl. 3.5p Marter 1.65p Matthews (Bernard) 0 825p Matthews (Bernard) 0 6255
Mayborn Group 1 20
Merchants 7rus; 2 520
Metalatas Group 0 80
Microle, LIN (Winnig) 3 150
Noborn Seiro 61/64 Chr. Bos. 1996 3 Npc
Norfolk Capital Group 0, 150
Norfo BOARD MEETINGS Cooper (Frederick) Smart (J.) & Co Tysons (Contractors) Peachey Property 8.25p Peel Hidgs 10% Cum Prt. 2.5c

Carlach (Herace)
PLM
DIVIDEND & INTEREST PAYMENTSAPV Baker 8p
Achtead Group 2p
8ank of Moniroal Fitg. Rate Debs. Sers. 9 1996
\$183.69
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\$229.75
Jacobs (John I.) 1.5p \$228.75
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Nobe Group 3 25p
Patheston Inv 13t 8p
Patheston Inv 13t 8p
Ryan Hotels 0 5p
Si Dawd's Inv 18t 4 8p
Schroders 8p
Dox Non-Vig 5p
Watsham's 2.76p
FRNDAY OCTOR

Watsham's 2.76p
FRIDAY OCTOBER 30
COMPANY MEETINGSDie Breit (Andre), Great Eastern Hotel, Liverpool Street, E.C., 11.00
Savalle Gardon, Namonal Motorcecke Museum,
Coventry Road, Bickenhall, Solntul, 12.00
Pinalos,
BM Group
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Fundanvedi Nat Home Loans Interime; Anglo Eastern Flencs, Central & Shearwood Clayton, Son Eastern Produce Thomson Organisation
DIVIDEND & INTEREST PAYMENTSAlumasc Group Sp
Agrica Holgs 0.25p
Babcock, Nederland 7% Chy. Gtd.

British American Tobacco et and, Cum Pri 2 1p British Estate 6 4% 1st. Mirg Deb. 1986/91 3 1st. Brown & Tawes 7% Cum, Pri 2 45p Burman O 6% Cum 1st. Pri, 2.1p Do 8% Cum Pri, 2.8p Do 7 1st. Cum Pri, 2.8p Do 7 1st. Cum Pri, 2.8p Do 7 1st. Cum Pri, 2.8p Carthrew) 7% Cum Red Pri, 2.45p Cookson Group 7% Pri, 1 225p Cookson Group 7% Pri, 1 225p Cookson Group 7% Pri, 1 225p Dean & Bowes 1 5p ER F 10% Cum Pri, 5p Book Cum, Maries 7 5cts Elis S Everant 7 4% Deb 1987/82 3%pc. English Property 974% Deb. 1967/82 3%pc. English Property 974% 1ct, Mig. Deb. 1987/2002 412pc #1/pc Evans of Leads 11% 1st Mig. Deb 2023 8/sbc First National Finance Corp 10% Sub Un. Ln 1992 50. Foreign 8 12% Deb. 1994-89 3 1pc. Foreign 8 Colonial Inv. Tet. 7% Un. Ln. 1989/93 3 1pc. \$381 28
Bank of Nova Scotta Fitg Rate Debs. 2000
E236.22
Bank of Charles) 1 1p
Bank & Walkso Amold Tst. 5p
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Bloton & Batterinea Enamels 1 5p Garton Engineering 814%, Cnv. Gld. Un Ln 1993/97 41-epc. Siston & Gararesa Ergmes 1 5 Breston 2p Brisch Moher Hidge, 1 4p CALA 1.5p Capital & Regional Props, 0.1p Carterway into 0 5p Calegory Backets Com. (Ant. Site 193397 41-apr.
Guichail Property 8% Cum Prl. 2 1p
Heavitree Brevery 1112% Cum Prl. 5 75p
Heywood Williams 8% Cum Prl. 2.8p
Huddons Bay 15cts
Hosko 25cts
Jackson (William) 71/2% Cum Prl. 2 scéo

ureway intos U.Sp. sorp Banleng Corp Glid. Fitg. Rate Sub. Cap. is 301/1997 S180 1 Glid. Fitg. Raile Sub. Cap. Nts. 30/10/1996 A rept.

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Pri Inc. 16 759
Leiham Llames; 8'4 Cum Pri. 49
Lodde Care 0 59
Da 712's Cum Criv Red Pri. 1991/86 3 75p
London American Vantures Tst. 3'27'6 Deb. Red. Cey & Foreign Hidgs 2,92p

Corporate States Properties 0.3p
Country Properties 8 1 8p
Dow Chemical 0 86cts.
Oundee 8 London Inv. Tst 5% Cum Pri 1 75p
Edunburgh Financial Tst 0.1p
Bloto Mening & Expir 5p
Electron House 2.1p

Legal Notice

HOTICE OF CHEDITORS MEETING.

2000/05 3/epc. Landon Strop Property Tst 3 85% Curr. Pr Landon Shop Property Tst 3 85% Cum. Pri 1 3059 Do 12 8% 1st Mrs. Deb 2015-20 8 25cc Do 116,25% 1st Mrs. Deb 2016 5 8725pc. Do 10% 1st Mrs. Deb 3075 5pc. Do 9-20% Crv. Un. Ln. 1994-2004 4 825pc. Love (Robert H.) 61/2% 1st. Cum Pri. 2.275p McAlpne-(Alfred) 95 Cum Pri 4 5 9 Macarre (London) 71/2% Un. Ln. 1998-91 37kpc. Do 74/4% Un. Ln. 1996-91 37kpc. Marky 51/4% Deb 1960/68 37kpc. Metal Crourse 6% Cum. Pri 4 1pc Metal Crourse 6% Cum. Pri 2 1pc

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Scral I (Wilkern) 71/2% Cum Pri. 2 505p n. Matmey 61/2% Mig Deb. 1985/95

Ficardo Consulting Engineers 3.250 Sale Timey 4p Sanife Gordon 1.96p Sharpe & Fother 1p Svensi Econtinedii Filig Refe Nts. 1990 \$352.99 Töbert & Britten 1.5p To Top Drugstones 1.2p Trent Holgs. 0.69p Trenty Inth. Holgs. 7p USE & G. Corpn. 62cts.

Walter City of London Properties 0 77p Walterford Gisss (Rts.) 1.2p Do (Inc.) 1.2p Wells Fargo Fitz, Rate Sub, Nts. 1982 564 38 Wells Fargo Intl Prencing Corp. Gld. Fitg. I Sub Ins. 1995 554 89

Neutrina 5'-14 Cum Pri. 28873p Pri-H Group 27cs Parkfield Group 7% Cum. Cnv. Red. Pri 3 56 Portamouth & Sunderland Newspapers 5% Pri

Trustrouse Forie 6.29% 1st. Mtg. Deb. 1884/69
3.125pc
Do 6.25% 1st. Mtg. Deb. 1985/90 3.125pc
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Do 7.25% 1st. Mtg. Deb. 1986/91 3.623pc
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Do 96, Curn, Pri 2.273p
Do 97, Curn, Pri 2.273p
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Westminster & Country Properties 8% Un. Lr. 1989/94 4pc.
Westpool Inv. st. 8% Crw. Un. Ln. 1989/94
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Westminster & Country Properties 8% Un. Lr. 1989/94
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British Corp Deb. 32% pl 18275p
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ELF UK 12 \*\*Ab Un. Ln. 1991 (9eg) 164pc.
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Guaranteed N Ireland 4½% Bds 2½gc. Hardys & Harspos 5% 1st Cum Prf 1 75p Intt Stock Exchange of UK & Republic of Ireland 10½% Mig Deb. 2016 5½pc King & Sharson 5% Cum Prf 1 75p Lews Mohini Properties 8½% Mig. deb 1933/98 4/spc
Londonderry Port 3/s/s Cons 17kpc.
M. & G. Extra Yield Fd. 5.03c
Marshalls Hallian 10% Cum Prf 5p
Merchants Tst. 4% Perp. Drib. 2pc
Mrd-Southern Water 10% Red. Deb 1995/99 5cc
Newman Inds. 10% Cum Prf. (Resr. Phylins) 5p
Do 101/w/s Cum Prf. (Resr. Rights) 5.125p
Neon 45cs.

Norwick Corp. 3% Red 1/spc. Norwich Corp. 3% Red 1/spc. Norwich Corp. 3% Red 1/spc. Parkland Texture 3 15% Curn Pri 1 575p Pentos 4/s% Curn Pri 1 575p Pentos 4/s% Curn Pri 1 1575p Ringhum 5% Curn Pri 1 157p RPi 3/s% Deb. 1983/88 1/spc. Dis 5/s% Deb. 1983/88 1/spc. Dis 5/s% Deb. 1983/88 1/spc. Residence of the second of the

Scorish Agricultural Security Corp. 31/2% Debt. 1983/93 1/spc.
Do. 13% Debt. 1997/39 61/spc.
Scottieft Inv. 13. 35% Cum. Prl. 1.75p.
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Tri-bis 20% Cum. Prl. 1.75p.
Tri-bis 20% Cum. Prl. 1.75p.
Do. 71/sh Red Deb. 1967/32.3.3.pc.
Whothread 41/sp. 15. Cum. Prl. 1.575p.
Do. 6% 37d. Cum. Prl. 2. 1p.
Do. 7% 3rd. Cum. Prl. 2. 45p.

#### **Parliamentary**

Today. Commons: Opposition debates on the need for increased control over the posses-sion and use of firearms and on the inadequacy of consultation on the Government's education proposals. Motions on financial aid and grant schemes for fishing vessels and fish farming.
Lords: committee debates on Criminal Justice Bill.

Tomorrow. Commons: debate on the defence estimates for Lords: committee stage de-

bates on the Criminal Justice Bill Motions on financial assisance for the fishing industry. Wednesday, Commons: second day's debate on the defence es-timates. Motion on Common Market document relating to ra-dioactivity levels in food and water.

Lords: debate on the state of child health services in the United Kingdom with reference to the recent report 'Investing in the Future: Child Health 10 years after the Court Report Debate on the needs and prob-lems of people with disabilities. Unstarred question on Britain's air defences.

Thursday, Commons: resump-tion of the adjourned debate on the second reading of the Scot-tish Development Agency Bill Lords: Committee debates on the Criminal Justice Bill. Motions on Church of England reg-ulations and the Companies (Mergers and Divisions) Regula-

tions for 1987.

Friday. Commons: debate on renewable sources of energy.

## **Pensions** attitudes surveyed

By Eric Short, Pensions

EMPLOYERS with existing company pension schemes are generally antagonistic towards generally antagonistic towards personal scemes and doing anything to help those employees who take them out. However, many have not yet made final decisions on the matter.

This is one of the findings in a survey of employer attitudes towards next year's nension.

survey of employer attitudes to-wards next year's pension changes conducted by Bacon and Woodrow, a leading firm of consulting actuaries, among their client firms.

This showed that the great majority of companies would not consider paying any contri-butions towards a personal pen-sion beyond the mouring mini-

sion beyond the required mini-

Only two employers in the survey were prepared to do as much for employees taking personal pensions as for those em-ployees in the company scheme. About three-quarters of em-ployers, however, will be pre-pared to readmit employees into the company scheme though usually on very restrictive con-

Bacon and Woodrow's re-search department showed that for a typical scheme the em-ployer's contribution to a personal pension would be in the 3 per cent to 4 per cent range but it was emphasised that any in-terested employer should have the contribution calculated for his own scheme terms.

#### Trade Fairs and Exhibitions: UK

Brighton

Drives, Motors. Controls and PC+ Systems Exhibitions (0799 Motorfair (01-385 1200xuntil November 1) Earls Court October 26-28 UK Corrosion Exhibition and Conference (0202 35544) Metropole Exhibition Hall,

November 3-5 International Financial Services, Technology and Accountants Exhibition (01-749 9535) Baybican Centre November 3-7 International Plastics Exhibi-

6707) NEC. Birmingham November 5-8 London Money Show - MONEY (01-948 5166)

tion - INTERPLAS (021-705

Camping and Outdoor Leisure Exhibition -COLA (08956 34191) Exhibition Centre, Harrogate

World Travel Market Exhibition (01-940 6065)

#### Overseas

FINNTEC (01-486 1951) National Transportation Fair -BRASIL TRANSPO (01-499 0277(until November 1)

November 16-26 International Electronic Com-ponents Exhibition - COMPO-SANTS ELECTRONIQUES (01-225 5566)

November 17-21 Machine Tools Exhibition

**Business and Management Conferences** 

essional personal computer conference (01-925 2323) Hotel Inter-Continental W1 CBI National Conference (01-

Kluwer Questmere Confer-ences: Financing UK Exports and Projects - changing Government support & alternative funding techniques (01- 568

inn on the Park, WI

116 Pall Mail, 5W1 November 5-4 Second Royal Institute of Inter-national Affairs/CICI Interna-tional Information Conference: Day 1 - Information products as a stimulus to business growth; Day 2 - The development of Eu-

rope's new information markets

British Overseas Trade Group for Israel: British financial services to Israel symposium (01-638 9537) City of Landen

CBI: HIGH STREET 2000 - a consortium conference looking at the future of high street re-tailing (01-379 7400)

November 17-21 Furniture and Woodworking Machinery Show (01-379 0765) North European Electron-

Reisinki

ics.Electrical Engineering and Power Transmission Exhibition ELECTROTEC (0202 687070)

October 27-28 Financial Times: The fifth pro-

Empire Conference Suite, Lon-

Acquisitions Monthly: How to buy and sell companies (01-637

The Institute of Directors : UK companies: the revenue offen-sive(01-839 1233)

(01-930 2233) Chatham House, SW1 November 5

Institute of Directors: Coping with growth - directing the expausion of your business (01-839 1233)

116 Pail Mall, Lendon November 16-17 Financial Times: World electricity (01-925 2323) Hotel Inter-Continental, Lon-November 19

The Royal Institute of International Affairs/ American Chamber of Commerce (UK): Strategic export controls - Military security, corporate self-interes and commercial policy - Can conflicting goals be reconciled ? (01-930 2233)

Chatham House London SW1 November 20 Business Briefings: Business Expansion Scheme (01- 381

Glaziers Hall, SE1 November 24 The Henley Centre: The UK economy - the next five years (01-353 9951) Cavendish Conference Centre November 24

The Institute of Taxation: Tax planning for individuals and trusts (01-235 9381) RAF Club, W1 November 26 Leasing Digest Conferences: Looking forward with hindsight

Grosvenor House Hotel. Wi December 1-2 Financial Times: World Tele-

communications (01-925 2323) Hotel Inter-Continental, W1 Anyone wishing to attend any of the above events is advised to telethat there has been no changes in Centre Point, London the details published

## Barclays Bank Base Rate.

Barclays Bank PLC and **Barclays Bank Trust** Company Limited announce that with effect from 26th October 1987 their Base Rate is decreased from 10% to 91/2%.



Reg. Office: 54 Lombard St., EC3P 3AH, Reg. No's 1026167 and 920680.



NatWest announces that with effect from Monday, 26th October, 1987, its Base Rate is decreased from 10.00% to 9.50% per annum.

All facilities (including regulated consumer credit agreements) with a rate of interest linked to NatWest Base Rate will be varied accordingly.

41 Lothbury London EC2P 2BP

## U.S.\$50,000,000

March 11, 1988 (182 days) Flate of Interest :87/6% per annum Coupon Amount : US\$4,265.63



#### Contracts & Tenders

#### TENDER

Middle East technical university is to purchase some equipment for nuclear laboratory by tender. Tender documents and specifications can be bought from

Mrs. Zafer Onder Yapi Dairesi, Rektorluk, Odtu-Ankara 06531, Turkey. Telefon: (90) 4-223 71 00/2903-04 Telex: 42761-00TK-TR

Telefax: (90) 4-2233054 The bids are to be submitted on 15/12/1987 at 10.00 hours at the latest. Delays in post etc are not accepted. This purchase is funded by Islamic Development Bank

#### **\$11S 30.000.000** FLOATING RATE **NOTES DUE 1996** For the six months, October 15. 1987 to April 14, 1988, the rate of interest has been

CENTRAL-

EUROPEAN ·

INTERNATIONAL

BANK LTD

fixed at 9 3/16 % P.A. The interest due on April 15 1988 against coupon nr 4 will be SUS 4 670.31 and has been computed on the

actual number of days

elapsed (183) divided

by 360. THE PRINCIPAL **PAYING AGENT** SOCIETE GENERALE ALSACIENNE DE BANOUE

15, Avenue Emile Reuter LUXEMBOURG

inco Lineibad (Incorporated under the laws of Carada) US\$100,000,000 Floating Rate Notes dun 1995 NOTICE IS HEREBY GIVEN that NOTICE IS HEREBY GIVEN that the Rate of Interest has been Fixed at 8,2% and that Interest will be payable on the relevant Interest will be payable on the 1988 against Coupon Number 6. In respect of US\$100,000 nominal amount of the Notes, the payment will be US\$4,335,94 and in respect of US\$1,000,000 nominal amount of the Notes, the payment will be US\$4,359,38.

Canadian Imperial Bonk of Commerce Agent Bank October 21st, 1987

THE RUMEROM OF DESIMARY Yes 10,000,000,000 64% Hers 1996 THE KINGDOM OF DENMARK Yes 20,000,000,000 71<sub>2</sub>% Dual Currency Yen/US\$ Bollar Notes due Septembe

Pursuant to the Terms and Conditions of the Notes, notice is hereby given that Daiwa Europe Limited, London acting as a Paying Agent, has moved to the following new address as from October 5, 1987: DAIWA EUROPE LIMITED 5, King William Street London EC4N 7AX

THE MORTGAGE BANK AND FINANCIAL ADMINISTRATION AGENCY OF THE KINEDOM 8F DENMARK US\$100,000,000 83% NOTES DUE 5th MARCH, 1991, SERIES 118

THE KINGDOM OF DENMARK

Pursuand to the Terms and Conditions of the Hotes, notice is beyen given that Dalwa Europe Limited, London, acting as a Paying Agent, has mored to the following new address as from October 5, 1987 DAIWA EUROPE LIMITED 5, King William Street LONDON ECAN 7AX Station Agency of the

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## KOREA FIRST BANK

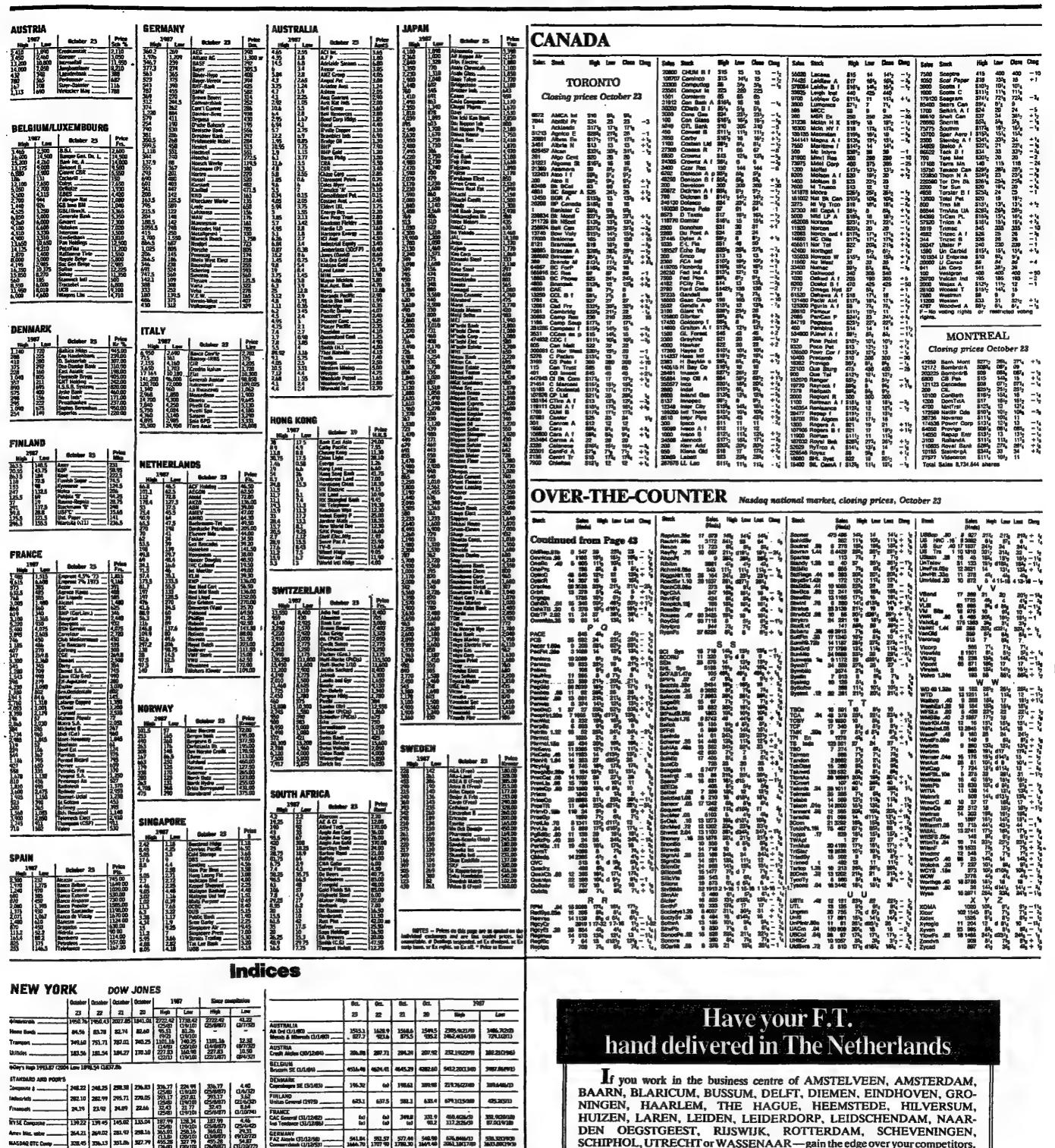
Floating Rate Notes Due 1996

In accordance with the provisions of the Floating Rate Note, notice is hereby given as follows: :September 11, 1987 to Interest Period

> per denomination (US\$100,000.00)



#### WORLD STOCK MARKETS



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**NEW YORK ACTIVE STOCKS** 

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FINANCIAL TIMES

Europe's Business Newspaper

Continued on Page 43

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 Preside | 198 | Preside | 198 | Preside | 198 | Preside | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 19

43<sub>6</sub> - 1<sub>2</sub> 63<sub>4</sub> - 3<sub>6</sub> 53<sub>4</sub> - 3<sub>6</sub> 22 43<sub>4</sub> + 1<sub>2</sub> 311<sub>2</sub> - 11<sub>4</sub> 131<sub>4</sub> 27<sub>9</sub> + 1<sub>9</sub> 61<sub>6</sub> - 3<sub>9</sub>

## NYSE COMPOSITE CLOSING PRICES

AMEX COMPOSITE CLOSING PRICES Closing prices, October 23

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PayCoh 36 **OVER-THE-COUNTER** Nasdaq national market, closing prices, October 23 | Sales | Sale Cardiet 22
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RIG .20 Selec figures are unofficial. Yearly highe an previous 52 weeks plus the current week, trading day. Where a split or stock dividend per cent or more has been paid, the year's highward any shown for the new stock only. noted, rates of dividends are unitsel disburg the latest declaration. 

Have your F.T. hand delivered . .

133<sub>5</sub>
477<sub>4</sub>
261<sub>7</sub>
145<sub>7</sub>
145<sub>7</sub>
167<sub>8</sub>
26
131<sub>7</sub>
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. . . at no extra charge, if you work in the business centres of LISBOA & PORTO

Lisboa 887844

And ask Roberto Alves for details.

41<sub>8</sub> -17 -93<sub>8</sub> -253<sub>4</sub> + 373<sub>4</sub> + 201<sub>2</sub> -

## **CURRENCIES. MONEY & CAPITAL MARKETS**

#### FOREIGN EXCHANGES

## Economic news overwhelmed by market volatility

a weekend of taking stock.

The worst scenario in London was probably to have cancelled insurance policies in the week before the storm that hit south east England in the early morning or first of 2.8 per cent in third quarter of fourth quarter of this year and the court of the of Friday October 16, in order to

money wiped off share prices, it cent became necessary to consider the implications of a US led recession, but in the general mayhem money markets and the foreign exchanges were relatively calm.

IIK economic news had much street the use of the use of the control of the impressive part of the data was the fall of \$5.2bn in net exports, as imports rose sharply, underlining fears among economists that the US is heading for recession. exchanges were relatively calm.
UK economic news had much

less impact than might have been Kleinwort Grieveson Securities expected. Money supply growth said "one firm conclusion is that £ IN NEW YORK Oct. 23 Close Previous

| E Spot                       | 1 month 0.38-0.36pm 3 months 0.84-0.79pm |                   |
|------------------------------|--|-------------------|
| Forward pren<br>U.S. dollar. | niums and discou                         | ents apply to the |
| STERLIN                      | G INDEX                                  |                   |

|       |                          | Oct. 23 | Previous |
|-------|--------------------------|---------|----------|
| 8.30  | .imt                     | 73.4    | 73.A     |
| 9.00  | 27                       | 73.4    | 73.4     |
| 10.00 | <b>AN</b>                | . 73.3  | 73.4     |
| 11.00 | <b>300</b> mm            |         | 73.5     |
| Морп  | <b>94.1.1.1111111111</b> | 73.5    | 73.5     |
| 1.00  | pm                       |         | 73.4     |
| 2.00  | PM                       |         | 73.5     |
| 3.00  | D[T]                     |         | 73.5     |
| 4,00  | per                      | . 73.5  | 73.4     |
|       |                          |         |          |

| 9,UU pa  | ł  | . 733   | 7.3.A   |
|----------|--|---|---|
| CURREN   | CY R   | ATES  |   |
| Onl. 23  | Bank<br>rate<br>%  | Special * Drawing Rights  | Europeau<br>Carrency<br>Valt  |
| Sterling | 655457 7 4 6 1 7 5 1 7 | 0,780169<br>1,29313<br>114,293<br>48,783<br>8,95493<br>2,33539<br>7,80857<br>NM<br>186,469<br>8,5693<br>1,99582<br>1,79,931 | 0.693625<br>1.15003<br>1.51195<br>14.6054<br>43.2900<br>7.95821<br>2.07523<br>2.33468<br>6.93469<br>1497.34<br>165.202<br>7.61495<br>134.094<br>7.31535<br>1.71700<br>159.774 |

| • C\$ | SOR | rates | for | Oct. | <b>22</b> ; | 1.69 | 774 |
|-------|-----|-------|-----|------|-------------|------|-----|
|       | -   |       |     |      | _           |      |     |

| coldinate literation of   |  |  |  |  |
|---|--|--|--|--|
| Oct. 23   | Bank of<br>England<br>Index  | Morgan<br>Goaranty*<br>Charges %   |  |  |
| Sterling U.S. Doffer Conorden Doffer Conorden Doffer Assetrios Schölling Belgian Franc Davish Krose Davish Krose Davish Krose Swiss Franc Swiss Franc Guider Franch Franc Yep | 73.5<br>100.7<br>78.5<br>197.7<br>99.4<br>91.3<br>146.9<br>173.1<br>135.1<br>77.3<br>221.0 | -19.8<br>-6.9<br>-9.7<br>-10.1<br>-5.0<br>+1.6<br>+21.7<br>+23.0<br>+14.4<br>-13.2<br>-18.0<br>+65.3 |  |  |
|   |  |  |  |  |

OTHER CURRENCIES

| QeL 23        | 2               |                 |
|---------------|-----------------|-----------------|
| Arometica     | 6.7975-6.8350   | 4,1000-4,1200   |
| Australia     | 2.3085-2.3115   | 1.3950-1.3960   |
| Britzii       | 89,4425-89,9445 | 53,9460-54,2160 |
| Finland       | 7.2120-7.2245   | 4,3520-4,3540   |
| Greece        | 228.05-232.05   | 138,05-140,36   |
| Hong Kong .   | 12,9360-12,9385 | 7.8145-7.8160   |
| Pitt          | 118.65*         | 70.50°          |
| Korea (Sth)   | 1319.20-1331.15 | 801,30-807.90   |
| Kuwait        | 0.46650-0.46700 | 0.22815-0.22820 |
| Listerboorg   | 62.75-62.95     | 37.40-37.50     |
| Malaysia      | 4.1775-4.1850   | 2.5235-2.5260   |
| Mexico        | 2692.60-2702.55 | 1625.00-1630.00 |
| N. Zenland .  | 2.5360-2.5410   | 1.5375-1.5395   |
| Sandi Ar      | 6-2135-6-2195   | 3.7500-3.7510   |
| Singapore     | 3.4510-3.4575   | 2,0845-2,0860   |
| S. Af. (Cm) . | 3.3825-3.3985   | 2.0440-2.0480   |
| S. Al. (Fn)   | 5.6165-5.8135   | 3,3895-3.5065   |
| Taiwan        | 49.40-49.60     | 29.95-30.05     |
| U.A.E         | 6.0850-6.0900   | 34725-34735     |
|               | "Selling rete   |                 |
|               |                 |                 |

**FORWARD RATES** 

|                   | Spet             |                             | )<br>Peths       |                   | 14 H           |
|-------------------|------------------|-----------------------------|------------------|-------------------|----------------|
| French Fr.        | 2 9950           | 1.6734<br>2.9801<br>10.0185 | 2.9578           | 2.9259            | 2861           |
| Smills Fr.<br>Yea | 2,4775<br>239,25 | 2.4639<br>238.15            | 2,4442<br>236,35 | 2.41.29<br>233.55 | 2.344<br>238.2 |

## TRADERS IN financial markets return to work this morning after went a weekend of taking stock. was very strong, but failed to prevent a cut in bank base rates. The trade figures were surprisingly

of Friday October 16, in order to Gross National Product growth invest in insurance company was also surprising. It compared shares, only to find one's house with 25 per cent in the second devastated by a falling tree.

As dealers saw vast amounts of market forecasts of around 2.7 per

recession.

**EMS** 

zero growth is expected in the fourth quarter of this year and the

In late European trading on Friday the dollar fell sharply, and in Tokyo it was forecast the US by Money Market Services. Moreurrency would soon fall below gan Grenfell and Normura Grieve-Y140 and test its record low some time next month.

It is feared that foreign inves-

tors will be reluctant to invest in the US because of President Reagan's failure to deal effectively with the budget deficit.

| ODE TITM |                         | n is that<br>RENCY UN                         | Financia<br>IT RATE                 |  | were gen   |
|----------|-------------------------|---|-------------------------------------|--|------------|
|          | Eco<br>central<br>rates | Currency<br>amounts<br>against Ecu<br>Oct. 23 | % change<br>from<br>central<br>rate | % change<br>adjusted for<br>divergence | Divergence |
| Franc    | 42.4582                 | 43.2900                                       | +1.96                               | +1.19                                  | ± 1.5344   |
| Crone    | 7.85212                 | 7.95821                                       | +1.35                               | +0.58                                  | ± 1.6404   |
| D-Mark   |                         | 2.07523                                       | +0.81                               | +0.04                                  | ± 1.0981   |
| Franc    | 6.90403                 | 6.93469                                       | +0.44                               | 0.33                                   | ± 1.3674   |
| bilder   | 2.31943                 | 2.33468                                       | +0.66                               | -0.11                                  | ± 1.5012   |
| nt       | 0.768411                | 0.774640                                      | +0.81                               | -0.04                                  | ± 1.6684   |
| -        | 7 492 50                | 1407 34                                       | TU 03                               | +041                                   | 4 0755     |

Changes are for Ecs, therefore positive change denotes a weak currency.

| 0a. 23      | Day's<br>spread | Close         | One menth       | 24      | Three<br>examples                   | ₩.<br>p.s. |
|-------------|-----------------|---------------|-----------------|---------|-------------------------------------|------------|
| I           | 1.6510-1.6780   |               | 0.38-0.35c pm   | 2,61    | 0.81-0.740-8                        | 1.65       |
| rada        | 21737-21965     |               | 0.40-0.29c pm   | 1,89    | 0.14-0.06pm                         | -0.2       |
| therlands , | 3.364-3.3712    |               |                 | 4,45    | 37-31 <sub>2</sub> pm               | 4.38       |
| giam        | 62.25-62.85     | 62,75-62,85   |                 | 3.34    | 50-40pm                             | 2.87       |
| amark ,     | 11.442-11.552   |               | 22000-400redis  | 0.39    | I <sub>spm-5eds</sub>               | -0.15      |
| land        | 11125-1.225     |               | 0.20-0.10cpm    | 1.61    | 0,40-0.25pm                         | 1.16       |
| Gernway .   | 2.983-3.00      | 2.99-3.00     | 15g-13gpf pm    | 6,01    | 41 <sub>e</sub> -31 <sub>epm</sub>  | 5.2        |
| rtogal      | 235.72-238.48   | 257.50-238.48 | 36-89c dis      | -3.15   | 151-242dis                          | -3.30      |
|             | 193.06-194.84   | 193.72-194.17 | 25-110c dis     | -4.18 ( | 100-1906s                           | -2.9       |
| y           | 23524-23684     | 216012-216112 | Per-4 three dis | -177    | 7-12 <del>6</del> 5                 | -1,7       |
| W2y         | 10.942-11.092   |               | 34 41 ore dis   | -4,19   | 101 <sub>2</sub> -1114dis           | -1.9       |
| PCE         | 9.9712-10.0212  |               | 14-13cpm        | 1.87    | 3%-3cm                              | 1.37       |
| edag        | 10.51%-10.60%   |               | ore per         | 0.43    | la lettis                           | -0.07      |
| ian         | 238-2391        | 2384-2394     | 14-1ypm         | 5.64    | 314-3pm                             | 5.2        |
| stria       | 21.00-21.07     | 21.04-21.07   | 95-85gropm      | 5.20    | 261-227-pm                          | 4.66       |
| itzerland   | 2.474-2.4812    | 2474-2484     | 112-11-com      | 6.66    | 35 <sub>1</sub> -31 <sub>4</sub> om | 5.5        |

| Beigan rate is for convertible frames. Financial fram: 62,35-63.45. Sin-month forward dollar 1.50-1.40cpm, 12-month 2.50-2.30pm. DOLLAR SPOT-FORWARD AGAINST THE DOLLAR |               |               |                   |       |               |       |  |
|---|---------------|---------------|-------------------|-------|---------------|-------|--|
| Dey's   |               |               |                   | %     | Three         | %     |  |
| Oct. 25   | spread        | Close         | Que mantis        | P.E.  | months        | p.e.  |  |
| UK?   | 1.6510-1.6780 |               | 0.38-0.35c pm     |       | 0.61-0.74pm   | 1.85  |  |
| relandt   | 1.4805-1.4860 |               |                   |       | 0.33-0.23pm   | 0.75  |  |
| sands   | 1.3119-1.3168 | 1,3135-1,3149 |                   |       | 0,22-0.2766   | -0.75 |  |
| lietherlands .  | 2,0080-2,0380 |               |                   |       | 1.08-1.02pm   | 2.07  |  |
| <u> </u>  | 37.40-37.71   |               |                   |       | 8.00-4.00pm   | 0.64  |  |
| Demmark   | 6.88-6.931    | 6.8812-6.89   | 1.00-1.70pre dis  | -2.34 | 3.40-4.106    | -2.17 |  |
| N. Germany .  | 1,7840-1,8100 | 1,7860-1,7870 | 0.49-0.46pf pm    |       | 1,37-1,32pm   | 2.98  |  |
| Partuani  | 1421-1424     | _             | 40-90c dis        |       | 150-300da     | -6.30 |  |
| pela  | 115,70-116,86 | 115.70-115.80 | 50-100c dis       | -7.71 | 140-190da     | -5.65 |  |
| taly  | 1288-1305     | 12881-12974   | 3.50-5.00lire dis | -3.91 | 11.50-13.50ds | -3.84 |  |
| torway  | 6.61-6.64     | 6.61-6.61     | 3.75-4_10ere dis  | -7.11 | 10.15-10.55ds | -6.25 |  |
| TERROR  | 5.96%-6.04    | 5.974-5.974   |                   | -0.80 | 1.35-1.65ds   | -0.99 |  |
| areden  | 6.304-6.37%   | 4.301-6.31    | 1.05-1.35ore dis  | -2.26 | 2.60-3.00ds   | -1.76 |  |
| ــــــــ الحويا   | 142.50-144.20 | 142,60-142.70 | 0.38-0.35y pm     | 3.05  | 1.10-1.05pm   | 2.99  |  |
| legria  | 12.694-12.724 | 12494-12694   | 3.00-2.00gre per  | 2.36  | 10.00-8.00pm  | 2.63  |  |
| hadrond and   |               | 1 4770-1 4790 |                   | 3.91  | 1 11-1 24am   | 141   |  |

† UK und Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and apt to the individual currency. Belgins race is for convertible francs. Financial Iranc 37,75-37,85 **FURO-CURRENCY INTEREST RATES** 

| Oct. 23   | Short  | 7 Days  | One   | Three  | Siz   | One   |
|---|--|---|---|--|---|---|
|   | term   | natice  | Month   | Months   | Months  | Year  |
| terling  J.S. Dellar  J.S. Dellar  J. Cullder  J. Fr. (Fill.)  J. Cullder  J. Krisue  J. Krisue  J. Stating | 94,94,<br>64,64,<br>64,64,<br>51,47,<br>14,27,<br>74,-74,<br>74,-74,<br>74,-74,<br>91,-74,<br>64,64, | 913-913<br>618-614<br>7-64<br>51-47<br>313-32<br>74-75<br>10-6<br>64-64<br>74-64<br>92-91<br>7-47 | 94,92<br>74,7<br>74,74<br>54,5<br>54,34<br>54,34<br>74,74<br>114,192<br>64,64<br>74,64<br>44,44<br>10-19-19-19-19-19-19-19-19-19-19-19-19-19- | 94-92<br>71-711<br>84-74<br>54-54<br>44-44<br>44-44<br>84-84<br>12-114<br>74-54<br>44-44<br>104-105<br>78-74 | 76.75<br>71.75<br>85.65<br>94.55<br>44.45<br>84.85<br>81.85<br>129-114<br>76-76<br>76-76<br>76-74 | 94, 40,<br>81, 84,<br>81, 84,<br>44, 44,<br>42, 44,<br>9, 83,<br>124-12<br>74-74,<br>74-74,<br>74-74,<br>84-84,<br>84-84, |

| cent; five y<br>two days' i<br>EXCHAI | notice.   |          |         |               | ii rates ar | e call for | US Dolla | ra and Jay    | punese Ye     | nç ode |
|---------------------------------------|-----------|----------|---------|---------------|-------------|------------|----------|---------------|---------------|--------|
| 0et. 23                               | £         | 5        | DM      | Yen           | F Fr.       | S Fr.      | H FL,    | Lire          | C S           | B Fr   |
| <u>£</u>                              | 1         | 1.677    | 2.995   | 239.3         | 10.02       | 2.478      | 3.370    | 2161.         | 2.1%          | 62.8   |
| 5                                     | 0.5%      | 1.       | 1.787   | 142.7         | 5.975       | 1.478      | 2.010    | 1289.         | 1.309         | 37.4   |
| DM                                    | 0.334     | 0.560    | 1.      | 79. <b>#8</b> | 3,346       | 0.827      | 1.125    | 721.5         | 0.733         | 20.9   |
| YEN                                   | 4.180     | 7.009    | 12.52   | 1000.         | 4)1,88      | 10.36      | 14.09    | 9032.         | 9.179         | 262.   |
| F Fr.                                 | 0.498     | 1.674    | 2.989   | 238.8         | 10.00       | 2.473      | 3.363    | 2157.         | 2.19 <u>2</u> | 62.6   |
| S Fr.                                 | 0.404     | 0.677    | 1.209   | 96.57         | 4.044       | 1          | 1.360    | 8723          | 0.896         | 25.3   |
| H FL                                  | 0.297     | 0.498    | 0.689   | 70.99         | 2.973       | 0.735      | 1        | 64 <u>1.2</u> | 0.652         | 18.5   |
| Ura                                   | 0.463     | 0.776    | 1.386   | 110.7         | 4.637       | 1.146      | 1599     | 1000.         | 1.016         |        |
| C S                                   | 0.455     | 0.764    | 1.364   | 108.9         | 4.563       | 1.128      | 1.535    | 984_1         | 3.497         | 28.66  |
| B Fr.                                 | 1.592     | 2.670    | 4.769   | 381.0         | 15.96       | 3.945      | 5.366    | 3441          |               | 100.   |
| Yen per 1                             | 1,000: Fi | rench Fr | per 10: | Lira per      | 1,000: 1    | Belgian İ  | r per 1  | 00.           |               |        |

**MONEY MARKETS** 

## Surprising base rate cut

A FORECAST that UK bank base rates would be cut by 'a per cent to 9'z per cent would have been greeted with some disbelief at the beginning of last week, and probably regarded as little short of lunacy after Tuesday's publication of the bank lending figures.

It was generally expected that lending would grow in September by about £3bn. compared with

FT LONDON INTERBANK FIXING (11.00 a.m. Oct. 23) 3 menths U.S. dollars & months U.S. dollars bid 7 g offer 711 The fluing rates are the arithmetic means, rounded to the nearest one-stateenth, of the bid and offered rates for \$10m quoted by the market to five reference banks at \$1.00 a.m. each working day. The banks are National Westminister Bank, Bank of Tokyo, Devische Bank, Banque Nazionale de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

|                | Oct. 23                                  | Oct. 16 |                               | 0a. 23           | Oct. 16 |
|----------------|--|---------|-------------------------------|------------------|---------|
| Bilts or offer | £100m<br>£800m<br>£100m<br>£97.74<br>62% | £100m   | Top accepted rate of discount | 9.0648%<br>9.27% |         |

WEEKLY CHANGE IN WORLD INTEREST RATES

| LONCON                | 0es. 23                    | change                   | NEW YORK                | Oct. 23   | change          |
|-----------------------|----------------------------|--------------------------|-------------------------|-----------|-----------------|
| Base rates            | 91,                        | -12                      | Prime rates             | 9         | -4              |
| 7 day interbank       | 10%                        | 452                      | Federal Funds           | 7.3       | 1 -1            |
| 3-month Interbank     | 9,1<br>9.0648              | -0.7210                  | 3 Mth. Treasury Bills   | 71<br>534 | -1 <sub>9</sub> |
| Treasury BIR Tender   | 9.0648                     | -0.7210                  | 6 Mth. Treasury Bulls _ | 6.29      | -1.68           |
| Band 1 Bills          | 9%                         | 1 -12                    | 3 Mtb. C D              | 7.45      | -1.45           |
| Band 2 Bills          | 61<br>61<br>61<br>61<br>61 | -12<br>-12<br>-12<br>-14 | FRANKFURT               | _         |                 |
| Band 3 Bills          | 95                         | -5                       | Lombard                 | 5.0       | Unctfd          |
| Band 4 Bills          | 44                         | ] -1 <u>2</u>            | Goe mth. Interbank      | 3.875     | -0.20           |
| 3 Mits. Treasury Biti | 94                         | -4                       | Three month             | 4.70      | -0.30           |
| 1 Mth. Bank Bliks     | 7.4                        | -4                       |                         | *         | <del>-</del>    |
| 3 Mih. Bank Bifs      | 9,2                        | -6                       | PARIS                   | _         |                 |
| TOKYO [               |                            |                          | Intervention Rate       | $n_2$     | Uech/d          |
| One escensis BAlls    | 3.84375                    | +0.0525                  | One mith. Interbank     | 814       | +2              |
| Three month Bills     | 3.96875                    | +0.0625                  | Three month             | 816       | - <u>Ā</u>      |
| BRUSSELS              |                            |                          | MILAN                   |           | 1               |
| One month             | 615                        | +4                       | One month               | 1112      | +b              |
| Three month           | 7.                         | +4.                      | Three month             | 124       | +ել<br>+ե       |
| MSTERDAN              |                            |                          | ÍDUBLIN                 |           | -               |
| One month             | 5.2                        |                          | One month               | 84        | -ų              |
| There emeth           | 5, <u>1</u><br>5,2         | -45                      | Three month             | 91        | -1              |

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market.

England.

The alternative to a reduction in UK bank base rates was upward

Bank of England intervention to prevent a move through DM 3.00. The pound's closing levels on Friday suggest there may still be some way to go in reducing the differential between London interest rates and those of other major industrial nations. major industrial nations. MONEY RATES Treasury Bills and Bonds
4.32. Three year
5.08 Four year
5.48 Fac year
6.27 Seven year
6.94 10 year
7.79 30 year **NEW YORK** (4 pm) 8-84 74 64 3.80-3.95 74-7% 3-34 54-54, 3.84375 114-114, 64-64, 84-87, 4.60-4.80 81<sub>2</sub>-83<sub>1</sub> 4-43<sub>4</sub> 51<sub>2</sub>-53<sub>1</sub> 3.96875 12-121<sub>2</sub> 7-71<sub>8</sub> 9-94 3.65-3.75 75-73, 7-11, 5-51, 3.40625 105-111, 7.20 3.85-4.00 8<sup>1</sup>0-8<sup>1</sup>4 — —

| LONDON MONEY RATES   |                     |                                     |  |   |                                   |  |
|--|---------------------|-------------------------------------|--|---|-----------------------------------|--|
| October 23   | Over-<br>sight      | 7 days<br>notice                    | Month  | Three<br>Months   | Six<br>Months                     | One<br>Year  |
| Interbank Sterling CDs. Local Authority Deps. Local Authority Deps. Local Authority Bonds Discount Mid. Deps. Company Deposits Finance House Deposits Finance House Deposits Finance House Deposits Finance House Deposits Fine Trade Bills (Buy) Dollar CDs SDR Linked Deposits ECU Uniced Deposits | 11-8<br>104<br>10-8 | 10'2 10'4<br>10<br>94<br>10<br><br> | 10 1-92<br>91-92<br>911<br>10 10<br>91-10<br>91-10<br>61-61-61-61-61-61-61-61-61-61-61-61-61-6 | 10 1 902<br>913 914<br>10 4<br>10 4<br>10 4<br>94<br>10 4<br>95<br>97<br>97<br>97<br>97<br>97<br>97<br>97<br>97<br>97<br>97<br>97<br>97<br>97 | 101.91<br>92.92<br>104<br>104<br> | 104-92<br>94-93<br>104<br>104<br>104<br>94<br>-<br>-<br>810-805<br>74-7<br>712-712 |

Treasury Bills (sell); one-month 91, per cent; three-months 93, per cent; Bank Bills (sell); one-month 913 per cent; three months 913 per cent of colorer 26 to November 24 1987, Scheme 1: 11.42 p.c., Scheme 11: 11.47 p.c. Reference rate for period August 29 to September 30, 1987, Scheme 1V: 10.219p.c. Local Authority and Finance Houses seven days notice, others seven days fixed. Finance Houses Base Rate 1019 per cent from October 1, 1987: Banh Deposit Rates for yam at seven days notice 3-31; per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 91 per cent; three-six months 94, per cent; shr-nine months 92 per cent; inse-12 months 94 per cent; Under £100,000 8 per cent from October 26, Deposits withdrawa for cests 5 per cent.

erally disappointed with Mr son expects 0.5 per cent, but Reagan's statement on Thursday James Capel, and Phillips and and his lack of enthusiasm about Drew forecast 0.3 per cent. and his lack of enthusiasm about higher taxation to cut the budget

Against this background there is unlikely to be much reaction to this week's US economic figures. Personal income and consump-

LONDON

Close High Low 90.72 90.84 90.20 90.71 90.86 90.34 90.72 90.86 90.34 90.69 90.70 90.25 90.69 90.50 90.22 of Volume 12,523 (14,231) day's open int. 18,572 (17,870)

92.15 92.02 91.68 91.48 91.45

Dec. 172.50 High Low Mar. 177.50 176.00 166.50 Mar. 177.00 166.50 Previous 429's open int. 8,629 (8,342)

High 92.79 92.53 91.96 91.57 91.36

Clase High 87-00 89-00 Mar. 86-03 Estimated Volume 16,019 (12,465) Previous day's open let. 16,312 (30,401)

Close High Low Prev 1.6773 1.6620 1.6450 1.6435 1.6705 1.6740 1.6360 1.6355 1.6425 1.6700 — 1.6275

CURRENCY FUTURES POUND-S (FOREIGN EXCHANGE) See 1-min, 3-min, 6-min, 12-min, 1-6770 1.6733 1.6692 1.6625 1.6530

LIFFE-STERLING (25,000 S per C

Close High Low 1.6545 1.6490 1.6490 1.6497 — — 1.6420 — — ed volume 16 (10) s day's open int 300 (305)

UK clearing bank base lending rate 9½ per cent from October 26

intervention in the New York banking system.

New York rates fell and banks cut their prime rates to 9 per cent

pressure on sterling and further Bank of England intervention to

IMM-STERLING St per S

from 91/4 per cent

Mar. 16.05 11.05 7.19 4.30 2.32 1.12 0.48

The MMS survey suggests a fall of 0.1 per cent in consumption. Morgan Grenfell, and James Capel

are in line with the median. Klein-wort Grieveson looks for a fall of 0.2 per cent, but Phillips and Drew

| California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | California | Cal CASINT ENIO Calls—Last Dec March 11.19 10.42 9.26 9.00 7.26 7.26 5.49 5.54 4.18 4.35 3.01 3.26 1.63 2.33 1.31 1.53 sume total, Galls, Calls 5 copen int. Calls March Dec March 14.26 0.00 0.11 12.38 0.00 0.12 12.38 0.01 0.22 10.50 0.03 0.36 7.35 0.15 1.21 6.09 0.34 1.59 4.58 1.04 2.44 3.53 1.57 3.39 (Calls 45,517 Puts 33,939

per cent on the MMS survey. Kleinwort Grieveson agrees, but Nomura forecasts the figure will be flat, while Morgan Grenfell. and James Capel expect a rise of 1.5 per cent and Phillips and Drew looks for 1.8 per cent. Friday's leading indicators for September are likely to be unchanged on the expects a flat figure and Nomura forecasts a rise of 0.1 per cent.

Tomorrow's durable goods orders for September will rise 1.0 Grieveson, and Morgan Grenfell. LIFFE FT-SE 100 IMOEX FUTURES OPTIONS
Strike Calls—Last Puts—Last
Price Oct. Nov. Oct. Nov.
18750 0.00 4.52 15.00 19.52
19000 0.00 3.91 17.54 21.41
17250 0.00 3.97 20.90 23.37
19500 0.00 2.89 22.50 25.39
19750 0.00 2.48 25.00 27.48
20000 0.00 2.48 25.00 27.48
20000 0.00 2.41 27.50 29.61
20250 0.00 1.80 30.00 31.80
20250 0.00 1.82 32.50 34.02
Estimated volume fozal, Calls 1 Pots 0
Previous day's open int: Calls 130 Pots 205

Pitts—Last Dec. Jan. 0.01 — 0.10 0.40 0.62 1.32 2.25 3.22 3.41 6.28 1.74 10.29 1.58 14.89 Nov. 0.00 0.01 0.15 1.31 4.57 Mar, 0.34 0.96 2.22 4.33 7.35 11.15 15.51 0.50 1.05 2.30 4.40 7.55 17.50 0.60 1.45 2.80 4.70 s 73.990 266 245 223 201 180 160 Mar. 0.85 1.40 2.95 4.10 5.55 7.15 2.50 2.27 2.05 1.84 1.43 1.44 Dec. 0.15 0.40 1.35 2.40 3.75 5.50 2.15 1.94 1.75 1.56 1.21 1.05 th 2.7 **CHICAGO** 0.6950 0.7019

U.S. TREASURY BILLS (1864) Slam points of 190% Dec. Mar. Jan. Sept. Dec. Mar. Low Prev. 0.6680 0.6678 0.6730 0.6735 0.6725 0.6798 — 0.6868

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**Deutsche Bank Capital Markets** 

ANNOUNCES
CHANGES TO THE
DEALING ROOM
TELEPHONE NUMBERS EFFECTIVE 26th OCTOBER 1987

| RADING<br>Straight Bonds               |             |
|--|-------------|
| ■ US Dollars                           | 01-626 932  |
| <ul> <li>Australian Dollars</li> </ul> | 01-626 932  |
| Canadian Dollars                       | 01-626 932  |
| ■ Deutsche Marks                       | 01-929 427  |
| ■ ECUs                                 | 01-929 427  |
| ■ Yen                                  | 01-929 427  |
| New Issues                             | 01-626 9321 |
| Equity Related Issues                  |             |
| Convertibles                           | 01-623 5530 |
| ■ Warrants                             | 01-623 5530 |
| FRNs                                   | 01-621 9421 |
| Euro Commercial Paper/Euronotes        | 01-621 9421 |
| ALES                                   | 01-283 8391 |

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1

## FURTHER PROGRESS

CREDIT LYONNAIS GROUP consolidated interim results for the six months to 30 June 1987

(million FFR)

| PROFIT AND LOSS  | Half<br>of 1986*  | Six months to<br>30 June 1987    | % Growth           |
|--|---|----------------------------------|--------------------|
| Gross operating profit   | 13,219  | 14.123                           | + 6.8              |
| <ul> <li>including net commissions</li> </ul>  | 2,615   | 3.152                            | + 20.5             |
| Operating income   | 4,520   | 5.197                            | + 15.0             |
| Net allocation to provisions   | 3,105   | 3,362                            | + 83               |
| Net income (group share)   | 910   | 1.191                            | + 30.7**           |
| * Comparison with one half of the 1986 full year figure have been prepared using procedures similar to those | ires is felt to be the most valid as<br>e employed at the year end. | s, the results for the six month | hs to 30 June 1987 |

| BALANCE SHEET   | 30 June 1986 | 30 June 1987 | ⁰n Growth<br>+ 6.0 |  |
|---|--------------|--------------|--------------------|--|
| Gross customer loans                                    | 347,978      | 368,906      |                    |  |
| Equity (including first half results)                   | 15.803       | 19.264       |                    |  |
| Perpetual subordinated debt                             | 3,500        | 5,500        | + 21.9             |  |
| Provisions  | 24,804       | 29,677       | + 57.1             |  |
| <ul> <li>of which country risk provisions</li> </ul>    | 10,580       | 13.435       | + 19.6             |  |
| <ul> <li>percentage of country risk coverage</li> </ul> | 30.2 %       | 38.4 %       | + 27.0             |  |
| Equity + equity equivalent + provisions                 |              | JU.4 79      | _                  |  |
| Gross customer loans                                    | 12.68%       | 14.76%       | _                  |  |

During the first six months of 1987, Credit Lyonnais has continued to make progress in its various fields of activity. In France, it has increased facilities both to individuals (up by 27 %) and to businesses (up by 4.1 %), has achieved a very pleasing increase of 7.7 % in the level of French franc dient deposits (excluding certificates of deposit), and has seen further expansion of its activities in the financial markets. Net commissions have increased by 18.3 %, At the same time, the contribution to operating income of the overseas network has increased strongly, with a contrast between branch offices, whose results as a whole are down, and the major subsidiaries having the advantage of a substantial presence in their country of operation, which have in general shown strong growth in

The first half of 1987 has also been notable for the various steps taken by Credit Lyonnais to reinforce its presence in the financial centres of London, New York, Tokyo and Frankfurt.



A copy of CREDIT LYONNAIS interim results can be obtained free of charge from CREDIT LYONNAIS Communication, 19 boulevard des Italiens - 75002 Paris, FRANCE

# SECTION III **FINANCIAL TIMES**



Rapid growth in new technology, the drive for public service efficiency, staff cut-backs and Big

Bang, have all benefited consultants. While most confidently expect demand to grow, the shake-out in

consultancy itself could be starting. Michael Skapinker reports

## The shake-out beneficiaries

that you never hear any new jokes about them. You do still hear plenty of variations on the watch to tell you the time.

The consultants, however, can afford to grip and bear it. The Management Consultancies Association says its members' fee income increased by 36 per cent to 5228m in 1986. The Association's executive director, Brian O'Rorke, says this year's figure is likely to be close to £300m. The MCA estimates that its members account for 65 percent of the income of the total consulting market in Britain consulting market in Britain.

One of the most significant factors in the boom is the rapid growth of new technology. Many managers are convinced that they need it, but not all of them Batchelor, a consultant with Coopers and Lybrand, says that Coopers and Lybrand, says that computer manufacturers have managed to maintain the gap between what they are producture.

While the work that consultate the work that work the work the work the work that work the work

AN INDICATION of the secure status of management consultants in Britain today is the fact that you never hear any new jokes about them. You do still increased efficiency in the public requires has one need a door lic services has opened a door to many consultants, too. The old joke, not all of them print-able, which is that a consultant is someone who borrows your ea. Civil servants rely on con-

strategy, devise internal training programmes and set pay and benefit levels for their employ-

Big Bang, the deregulation of the city of London, has been an additional fillip. Consultants have been involved in installing the financial services sector's

tives feel they can understand.

Consultants, he says, can therefore step in as intermediaries between the suppliers and the users. The MCA says its out what they see as their prob-



# ea. Civil servants rely on consultants to help them reorganise, to institute performance-related pay and to bring in private sector contractors to perform some of their functions. All aspect of consulting have benefited from the shake-out in British industry. Many companies have cut back on the number of staff they employ directly, prefering to rely on consultants to help them plan strategy, devise internal trainism and saying what sort of per-recommend." The proposals they make to difficult business to enter," says strategy, devise internal trainism and saying what sort of per-recommend."

lem and saying what sort of per-formance measure they will be using to assess the consultant's work. They're much less impressed by consultant-speak," says Christopher Tracy, formerly of McKinsey and now the head of the London office of

"On the whole the clients tend "On the whole the clients tend to be more efficient organisa-tions," adds James Morgan of Arthur Young. The great joy of working for efficient clients is that they can answer any que-ries you have and they can go ahead and implement what you

Most consultants seem confident that the demand for their services will continue to grow. But the past year has not been without its hiccups. Some consultants were more ratiled than they cared to admit when Bain and Co, the American firm, found itself caught up in the Guinness scandal. One of Bain's staff, Olivier Roux, had worked for Guinness directly, as its dictor of financial strategy and

the proposals they make to them, they do not, unlike Bain, become involved in managing the company. The point is raised by clients, but it's easily answered," says John Foden, chief executive of the PA group. There's a clear distinction between helping to implement and signing pieces of paper to implement."

Another development has

Another development has been the start of what many believe will be a shake-out in the British consulting industry. British consultants are quick Over the past few years, a large to point out that although they number of small consulting help their clients implement firms have sprung up. "It's not a

difficult business to enter," says John Harris, European Presi-dent of the American consul-tants Booz, Allen and Hamilton. "All you really need is two tele-phones. You take a telented guy phones. You take a talented guy and he can always find a couple of clients. The problem is that, over time, how can he maintain his value to those clients? It is very difficult to service your customers while at the same time trying to drum up new business, Mr Harris says.

Many consultants believe that there is a future for small firms only if they concentrate on very



Pay and share schemes: lirms

public sector: happier spreading

Information technology: system integration a profitable area

Profile: Coopers and Lybrand 3

hog most of the action. Recruitment consultants:

headhunting goes outside

ın demand

be eaten phase

see much of a role for the medium-sized firms. The middle-

lished practices such as McKin-

sey and the Boston Consulting

Group on the one hand, and the large practices, particularly those that have grown around accountancy firms, on the other. This realisation was behind the merger of two of the most venerable names in British con-sulting, P.E. International and

sulting, P-E international and Inbucon. The merger, an-nounced earlier this year, is due to take effect in January 1988. The two firms hope that by combining, they will have the clout to compete against the ac-countancy-based practices.

The accountancy-based con-sultants have not however, been free of problems either, the result of putting the rush for growth before profitability. A senior member of one of the accountancy-based practices says that his firm has spent the past year consolidating and deepen-ing its relationship with its existing clients rather than going out and looking for new ones.

A few of the consultants in accountancy-based practices are prepared to admit that there is something of a culture clash be-tween themselves and the audit partners. The consulting practice requires more investment in training and technology than some of the audit partners are used to, they say. Nevertheless, they, along with non-accountancy firms like PA, are likely to continue to dominate UK consulting.

PA's John Foden says that the challenge for the larger Brit-ish-based firms now is to become more international. The United States, which represents 30 per cent of the international consulting market, is a particular target for his own company.

Gareth Jones of Ernst and Gareth Jones of Ernst and Whinney predicts that apart from the large international firms, the accountancy-based practices and the niche specialists, a new group of consultants will increasingly make their presence felt: the universities. As they come under increased

specialised areas. They do not pressure from the government to find alternative sources of fi-nance, consultancy will be an ranking practices are being altractive option, as some uni-bemmed in from either side by two groups; the well-estab- ered, he says.

When asked what the biggest constraint on their future growth is, consultants both inside and outside the accountan-cy-based firms give the same answer; finding enough good people to work for them.

The best of those applying for jobs with British-based firms are very good, says Booz Allen's Mr Harris. The British graduate is generally highly numerate and highly literate. They are much, much better on their feet than young Americans. than young Americans.

"We just hired 12 people from Oxford and Cambridge and every one of them could be asery one of them could be as-signed to a case and take a pa-per home and then come in the next morning and talk intelli-gently about it. You couldn't find people from equivalent schools in the States, like Har-vard, who could do it." Mr Har-vard, who could do it." Mr Harris says that his recruiting diffi-culty is not the quality of people available, but the fact that Booz Allen is not as well known in Britain as it is in the US.

For many other firms the problems are more acute. Although some of the larger firms do take in some graduates, they prefer people with management experience in industry or fi-

"It's a monumental difficulty," says Arthur Young's Mr Morgan. Every moment we're not in with a client, we're worrying about the people we have to get coming in. I think consultancy has always been an attractive career opportunity," he says.

The problem is that the City now offers earnings which are so much higher. In the past, consultancy has always been pretty well paid. But it isn't when you compare it with some of our financial services clients.

The staffing problem is not one which lends itself to easy solutions, consultants say. "It's not as though any new source of recruits has been uncovered,"

## If you're reading this survey you should be in Paris this week.

The sixth Hay European Conference on Strategic Issues for Human Resources Management.

Paris, October 29-30, 1987.

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#### Remuneration

## Firms become more sophisticated

THIS YEAR may be remembered 'as the year that finally killed off the myth that the UK is one labour market,' Mr Philip Burnford of Hay Management Consultants told a recent conference in London.

One bank, he said, has recognised the staggering cost of living in London by almost doubling its allowance for living in the capital to £3,000. Some London local authorities are reported to be paying premiums of up to £4,500 in an attempt to entice specialised staff

The regional pay differential is just one manifestation of the huge transformation which has occurred in the pattern of UK remuneration over the past few years. Employers have had to find their way around such conit-related pay, cash bonuses and a range of share option schemes. There has been no shortage of consultants willing

to help them.

Mr John Carney of Towers,
Perrin, Forster and Crosby, says
that his firm's pay and remuneration consulting practice has
grown by 40 per cent in each of
the last three years, and will
grow by a similar amount this
year. Other consultants are
more reluctant to reveal specifte percentages, but Mr Ken
Schwarz, director of remuneration services at Inducon Management Consultants, says that

of growth.

Hay, Inbucon and TPF&C are among the older practitioners of pay and remuneration consulting. But there are now many new players in the field, some of them one-person operations ca-tering to a specific industry. The consultants identify sev-

eral factors which, they say, have contributed to employers increased interest in pay and remuneration. The ending of the pay restraint and incomes The shedding of large num-bers of employees during the painful recession of the early Thatcher years was another reason why companies began to look towards remuneration consultants. Managers needed to devise new pay structures for their leaner and slimmer organ-

They also began to compete for skilled staff, a process made all the more urgent by the rapid technological change which confronted them. Attracting and keeping the right people meant offering a remuneration package which compared favourably with that offered by competitors in the same industry, rather than that available in the economy as whole. With companies now determined to make their way in the world, many began to offer their employees bonuses in return for performance. New legislation to encourage

companies to offer employees a stake in their companies has been another major reason for the growth of remuneration agement Consultants, says that share option schemes which are his firm has seen similar levels available only to a specific class of employees, such as directors or senior managers.
With the Thatcher adminis-

tration demanding value for money in the public sector, some central and local govern-ment organisations have turned to consultants, too, to help then establish performance-related

pay structures.
Over the past few years, some remuneration consultants say they have found their work the pay restraint and incomes changing. Several companies policies of the 1970s meant that that rushed to introduce new companies could turn their pay, benefit and share strucminds to how best to attract and: tures have found that they now



need something slightly different. A few consultants report that they have been called in to do repair work on pay and share schemes - schemes devised by other consultants, they hasten

At the same time, companies are becoming more sophisticat-ed in their approach to remued in their approach to remu-neration and have a clearer idea of what they want. "People are becoming more demanding," says Helen Murlis, a remunera-tion specialist with Peat Mar-wick McClintock. "At long last,

they are beginning to ask questions."

Mergers and acquisitions have been another source of business, as purchasing companies examine the pay and bene-fits being used by the compa-nies they have bought and begin to ask how they can be integrated into their own.

The booming stock market of

recent years and healthy com-pany profits have made share options and performance-related bonuses an attractive proposition for many managers and employees. The question that

ask is what will happen when

To many consultants, that will be the real test of company and employee commitment to performance-related pay and share options schemes. Some worry that bonuses will have become such an intrinsic part of the pay package, that many companies will simply allow employees to continue receiving them even when they and their organisa-tion are no longer meeting their

targets.
At the moment, says John Car-ney, many British companies "are still quite thoughtful" about "are still quite thoughtful" about their remuneration parkages. But there is a danger, he says, that bonuses will become institutionalised and regarded as something to which people have an inherent right, as has happened in some companies in the United States. "In the US, the worst abuses occur where companies just go about finding ways to satisfy executive greed," he says.

So much for the effect of a stock market devuture on com-panies. Most consultants seem less ready to consider what the effect would be on themselves. Would there still be the same demand for their services? Den-is Crowe, editor of Incomes Da-ta Services's Top Pay Unit re-view, argues that the public sector demand for remunera-tion advices will continue at tion advice will continue, at least for the four or five years of the Conservative Govern

As to the private sector, son As to the private sector, some consultants console themselves with the thought that theirs is an industry which thrives on change and that companies would need them to adapt their remuneration systems to hard times. "I suspect there might still be a call for their services to help sort things out." Mr to help sort things out," Mr

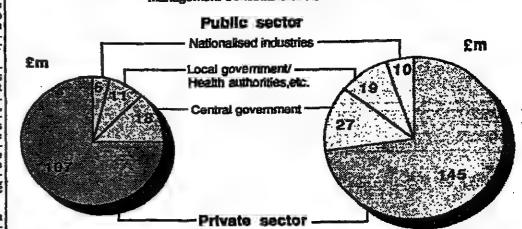
Michael Skapinker

#### Public sector

## Happier spreading the work around

Where the work comes from

Analysis of fees earned in UK between public and private sectors by members of Management Consultancies Association



1985 total £142 m

1986 total £201m

THE LAST few years have seen a greater management revolu-tion inside the civil service than at any time since the war. It is incomplete, but will be carried through; and, like comparable changes in industry, will bring large and durable benefits to our national life."

tary at the Department of Health and Social Security, in April 1986, gave a flavour of the April 1860, gave a flavour of the changes that have taken place in central government management. And, as is common in much of the public sector, the drive for greater efficiency, which frequently involves the introduction. introduction of computer systems, creates a demand for

led to a big increase in the de-mand for outside expertise has been cuts in civil service manpower. Increasingly, government is dependent on commissioning skills that it just does not have within its own ranks.

Last year, members of the
Menagement Consultants Asso-Management Consultants Association (around 60 per cent of the industry) took consultancy commissions from the public sector totalling £58m. That was an increase of 60 per cent over 1985. This year, the jump is expected to be of the same order. Of the consultancies not includad in these £57mas PA alone exed in those figures, PA alone ex-pects to undertake around £15m

of consulting work in the public of consulting was sector this year.

The work is not confined to the well-known names in the consultancy world. The public the well-known names in the consultancy world. The public sector is increasingly conscious of the costs of bringing in consultants. Most contracts are awarded after going out to tender. Smaller, specialist consultants are increasingly successful in the bidding, while clients sometimes like those firms which can offer the personal service that goes with being small.

which can offer the personal service that goes with being amall.

The public sector tends also to be happier if it is spreading its work around. It was interesting that the Department of the Environment stipulated that the five new development corporations must each award the contract for the detailed plan of their areas to a different firm of consultants. Price Waterhouse, Coopers & Lybrand, and Ecotec were three of the successful The Trafford Park Corporation, meanwhile, deliberately adopted the course of choosing a team from a group of specialist consultancies.

Urban development corporations are a good example of the way in which the public sector workload for consultants is growing by leaps and bounds, despite the Government's constant efforts to contain public spending. The whole regeneration effort in the urban areas is increasingly calling for external economic assessments of the impact of programmes funded with public money, as well as apecialist advice on land use planning.

In public spending terms, however, this is a tiny area. Between 1964 and 1966, public expenditure roughly doubted in real terms. It now stands at around £134bn. The four largest programmes are social security

Those words of Sir Kenneth Stowe, then Permanent Secre-

consultants.
The other factor which has

(£41bn), defence (£18bn), health and personal social services (£17bn) and education (£14bn). Those figures in themselves are an indication of the fertilefields where consultants are needed, particularly defence and health. Most consultancies have been focusing on the Na-tional Health Service, where all the political signs are that there must be renewed pressure for efficiency savings to counter the growing demands being put

upon the sector. Likewise, there is still enormous potential in the other big spending areas.

Sir Gordon Downey, Comptroller and Auditor General, in his report on the Financial Management Initiative pubhis report on the Financial Management Initiative published last autumn, and later used as the busis for the investigation by the Public Accounts Committee, highlighted the enormous challenges that the civil service still faces in attempting to introduce a management structure. He noted that most progress had been made in administration, but that in programme expenditure there was still a very long way

there was still a very long way The introduction and pursuit of a management culture requires the implementation of management accounting and hudgetary control. Consultants have been brought in to help. If the exercise is to continue, much more help will be needed. Management information is onite inadequate, or non-exisquite inadequate, or non-exis-tent, in large areas of the public sector. Without such systems, the exercise can only falter.

public sector division, explains the mesh of skills and their ap-plication in the context of con-sultancy in the public sector as a business with two broad fo-

enses:

The application and support of Information Technology in all its guisses in terms of strategy, planning, implementation, user exploitation and information management as a whole

Management effectiveness from policy making to operational management with strong

emphasis on practical performance improvement, value for money, effective application of resources, and all the issues resisted by commercialisation.
On IT planning and implementation, for example, PA is working for the Inland Revenue, DHSS. Property Services Agency, and the Ministry of Agriculture. Management effectiveness programmes are being carried out for social security offices, rostering of prison officers, and a considerable amount of work for local government, particu-larly as it concerns direct la-

bour organisations, which has led to PA being relained by the Audit Commission.

Local government, spurred by the Audit Commission's activi-ties, the constant pressure on their spending power from een tral government, and comparisons with services contracted out to the private sector, is concerned increasingly to delive more efficiently.

more efficiently.

It should be realised, however, that there is growing disquiet on the part of those who work in the public sector-particularly those who have direct contact with the public - that too much emphasis is being laid on efficiency and not enough on providing an effocitive service.

These ramblings should not be diamissed as politically motivated to frustrate the efficiency programme. The National Andit Office and the Public Accounts Committee made reference to it, and consultants should be aware of the potential implications for their work.

The whole concept of efficiency that the process of the concept of efficiency and the potential implications for their work.

"The whole concept of efficiency needs to be widened to take greater account of performance evaluation, decentralised management, inter-organisational perspective, the role of specialists and that of the Treasury, as well as the need for public accountability," wrote Mr Les Metcaife and Ms Sue Richards in the June issue of Public Money, published by the Chartered Institute of Public Finance & Accountancy.

Hazel Duffy

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Information technology

## Systems integration a profitable area

THE TWO industries of management consultancy and information technology (IT) are both profitable and growing indus-tries, so it is hardly surprising that business is good at the point where they converge. Although no comprehensive figures are available, research suggests that the market for information technology consul-tancy could be worth as much as

E150m in 1987.
Figures release by the Management Consultancies Association for 1986 demonstrate the growing importance of consul-tancy as a vital component of an organisation's computerisation strategy. The MCA, which repre-sents 39 of the largast consul-tancy firms operating in the UK, estimates that its member comestimates that its member com-panies did £69m of IT-related consultancy in 1966 - 98 per cent up on 1985. Although this may be an overestimate, most analysts believe that IT-related work is growing at over 30 per

cent a year.

MCA member companies are believed to take about 60-65 per cent of the IT consultancy mar-ket. Small companies and even individuals are also enjoying strong demand. The Depart-ment of Trade and Industry, for example, distributes lists of active IT consultants which are several hundred names long.

The nature of the consultancy work is changing fast and broadening out into new activities. In recent years, large companies have been asking consulents to take on a more direct, "hands-on" on approach, in some cases eliminating the need for a software house and reducing the burden on in-house computer staff.

Although much of the work is still related to giving purchas-ing advice, consultants are fre-quently asked to become involved in long projects, identifying and analysing requirements, programming the systems and then managing the staff and facilities.

There are several reasons why consultancy is booming. One of these is quite simply that several sectors of the economy are involved in extensive com-putarisation, notably financial services, manufacturing and government. This is partly due to the general health of the

economy, and partly due to special factors such as deregulation of the financial markets. to complement their traditional But perhaps mostly it is due to understanding of business, the fact that IT is now being while the larger software housperceived as a vital competitive es such as Logica, CAP and Housperceived as a vital competitive.

Brian O'Rorke, executive director of the Management Con-sultancies Association pointed to the main reason why management consultants are involved in IT at all. The message is that IT is a tool for management. If you are in need of advice on IT, you want advice that looks at it in the context of management, not as an independent technology. You want a management consultant, not a software

The strategic importance of IT is now widely acknowledged, particularly among larger cli-ents. One of the most communon

ents. One of the most communon projects that consultants are asked to work on is to put together a strategy for integrating an organisation's information systems over a long period. One significant change in the pattern of computer usage has benefited management consultants - the increasing use of several hardware and software suppliers on one site. Ten years ago, a site might use only ICL, or only IRM, but not both.

Now, as users recognise that each supplier has its strengths and weaknesses, and as the de-velopment of international standards allows different makes of computer to talk to each other, the trend is towards using many different makes of computer. In this case, a "systems integrator" with knowledge of many different types of computer and how to link them up, is employed. Systems Inte-gration is a profitable area in which software houses and management consultants are competing face to face.

Jim Donaldson, group direc-tor of the £40m turnover PE Consultants group, said that there is a trend towards buying in expertise from outside and this is evident with computers as it is elsewhere. Feople are busing in whether it's IT or buying in, whether it's IT or anything else. In consequence, in-house expertise is not keep-ing pace with developments in emputerisation. In order to compete in this ar-

es such as Logica, CAP and Hoskyns are now given to emphasising their knowledge and
understanding of their clients'
business needs.

From the consultancy side,
Arthur Anderson is the most aggreasive competitor in the IT
business. Verson Ellis, Arthur
Anderson's managing partner
responsible for consultancy, estimates that 85 per cent of the
firm's business has a strong IT
element, but unlike some firms,
there is no separate IT division.
This year the firm is taking on
150 graduates, and they will be
"steeped in IT work" for three or
four years. The business skills
will be emphasised later.

As a company, Arthur Ander-

As a company, Arthur Anderson is heavily involved in IT work. Not only does it offer consultancy, but it also sells software packages, and recently it introduced a "facilities management" service under which it ment' service under which it will look after a client's computing resources on a contract ba-

Mr Ellis said that Arthur Anderson's perspective is that the suppliers of IT services and products are converging, with suppliers who offer a product seeking to offer services. At the same time, customers want to reduce the number of people they are dealing with. In order to compete, Arthur Anderson has expanded to offer products and services.

and services.
All the major manageme consultancies now have signifi-cant expertise in IT. Coopers & Lybrand, for example, has more than 200 staff in its IT division. These are often used to support other consultants with special-ist knowledge of particular sec-tors of the economy. For those companies capable

of assimilating the technical expertise, the future looks as rosy as the present Several major market research companies have predicted growth rates in excess of 25 per cent for IT con-sultancy work. Those firms with specialist technical knowledge of the boom sectors will fare

#### Profile: PA

## Reshaping to meet new demands

years, PA was management consultancy for many British companies, and its reputation for professionalism in all that it does remains unimpaired.

PA managers, however, would be the first to agree that the consultancy sector is changing fast. It started as a general consultancy, but the demand is for specialist consultants and is being met increasingly by the more aggressive consultancy tributing to the development of the secountancy firms.

PA has shaped, and remand, and at the same time to man maintain its particular blend of pin the busine skills which have been created PA is organi

gest in Britain and ranks in the proach, its executives must alworld's top 15. It is British by ways be sure that PA does not origin, international in its get left behind, or be cast as operations, and owned by a having lost its way.

It believes that its strength is to offer not only advice in the sectoristics make it unique in traditional vein but also to work the world of management consultancy. Indeed, for many years, PA was management consultancy for many British on.

PA has shaped and re- ary network worldwide, and al-shaped, itself to meet this de-mand, and at the same time to management systems to under-

PA is organised into six main

THE PA Consulting group - rev-bandwagon, but, in its more tions; manufacturing services; enues in 1986 £111m - is the lar-cautious and thorough appearational services (for examgest in Britain and ranks in the proach, its executives must alphe, project management); personnel services (recruitment human resource consulting); strategy services; and technolo-

PA Technology has been through an unfortunate series of events in the last few months, which have revealed an unusually public view of the problem of managing a large group like A group of senior managers

departed to set up their own consultancy - this came about 18 months after the founder of PA Technology, Mr Gordon Edge, left to set up his own consultancy. It must mean that it will take cy. It must mean that it will take some time to repair the damage done to this prestigious division of PA, which has its own laboratories staffed with scientists, engineers and technologists.

John Foden, PA's group chief executive, takes a relaxed view of the department of the property of the propert

of the departure of managers from PA Technology. People are moving between consulting groups in a way they didn't do



previously," he says. Mobility in ing. PA would like to expand, the services industry is now a particuarly in the US, and to fact of life. His primary goal for PA, he

**Hazel Duffy** 

#### Profile: Coopers and Lybrand

## Myths to be put aside

MANAGING director of Coo-Egypt, Tanzania, Zambia and work comes from audit clients."

Pers and Lybrand's manage—Thailand.

Mr Miller is angered by a repers and Lybrand's manage-ment consulting wing, Mr David Miller, takes pride in the fact that his practice was working for some of the most solidly Tory local authorities in Britain, at the same time as it was pre-paring a report for Ken Livings-tone on the effect of the abolition of the Greater London Council.

There are some consultants who turn down work to which they are politically opposed, he says. But we regard ourselves as professionals, regardless of our own political preferences. It might be that we lose the odd job because of that, but that's a risk we're prepared to take."

Coopers and Lybrand's UK management consulting prac-tice is 25 years old this year. With over 700 professionals, it is the largest of Britain's accoun-tancy-based practices.

It has traditionally been trans traditionally been strong in the manufacturing and distribution sectors and in pro-viding advice to government or-ganisations, both in Britain and Andrew Lawrence | abroad - in countries such as

Thailand.

It also competes with "strategy boutiques" such as Bain and the Boston Consulting Group, both through its own strategic services division and through its minority stake in a small fee income for this financial newly-formed strategy firm, Outram, Cullinan and Co.

Mr Miller sees the link with the accountants as having had both advantages and drawboth advantages and drawboth advantages and drawboth advantages and drawboth is that some potential clients might not realise that consultancy is one of the services Coopers and Lybrand of ing practice operates. As a

Lybrand? Aren't you accountants?" Mr Miller says.

In fact, fewer than 20 per cent of the professionals in the consultancy practice are accountants, he says. And the management consultants do not wait for the audit partners to bring them work. Let's put one myth aside," diting and consulting sides of he says. "One usually-quoted advantage of being an accountance of being an accountance of being an accountance of the says. "One usually-quoted advantage of being an accountance of the says." We work very much more got a tame client base. Actually, closely than we used to," he only about one-third of our says. "There's been a conver-

vices Coopers and Lybrand of ing practice operates. As a fers. "People say, 'Coopers and growing business, consultancy Lybrand? Aren't you accountents?" Mr Miller says.

In fact, fewer than 20 per cent There's a gulf between those of the professionals in the cent wayters who would may income



gence. They're beginning to use a lot more technology. Similarly we're beginning to be much more aware of the importance

of managing the relationship with clients." Mr Miller and Mr Batchelor mr miner and mr Battelors
see a two-fold challenge for the
future. The first is the continued development of the information technology side of the
practice, developing systems
that are tailored to management needs. With 180 professize the VI division is alsionals, the IT division is al-

is to make our consulting business really international," Mr hess ready international, as Batchelor says. With business executives developing a more global outlook and national bar-riers crumbling, accountancybased consultancy will inevita-bly become more international

Michael Skapinker



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The Management Consultancies Association was formed in 1956. Its primary purpose is to ensure that management consulting work is carried out to exacting standards by requiring adherence to a code of professional practice. The Association also prides itself upon its stringent conditions for membership which relate to the stability, experience and qualifications of its professional workforce. These are verified annually. Approximately 60% of the management consultancy work known to have been undertaken in the United Kingdom in 1986 was carried out by members of the Association.

#### The services provided by Members include:

Corporate Strategy & Organisation Development

- Marketing Sales & Distribution
- Manufacturing Management & Technology
- Finance & Administration Executive Selection
- Personnel Management & Training
- Information Technology
- Economic & Environmental Studies

#### **Confidential Client Information Service**

The Executive Director of the Association maintains records of the specialist skills and industry experience of member firms. He is in a position to provide potential clients with a shortlist of member firms whose project experience matches the task in view. Such advice is impartial and confidential.

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## **Accountants** hog most of the action

MANAGEMENT consultants cent of his firm's business is have traditionally viewed the with larger organisations - large corporation or government department as the natural market for their skills. Only ried out for smaller clients (and market for their skills. Only large organisations needed the sort of in-depth advice the consultant was geared to provide and, equally importantly, only the big outfits could afford to pay for it.

This picture is now starting to change. Members of the Management Consultancies Associate the availability of good staff." he

change. Memoers of the management Consultancies Association - 29 of the largest firms accounting for 60 per cent of consultants' fee income - reported that 17 per cent of their clients in 1986 were small businesses - firms employing fewer nesses - firms employing fewer than 25 people. This was a sharp increase on the 4 per cent floral

of the year before.

The small firm's share of fee full-scale consultancy work.

"A consultant can recognise a "A consultant can recognise a income will be considerably lower than this, of course, but these figures probably understate the growth of the importance of the small firm to the consultancy industry. The smaller consultants, with fewer than 15 professional staff each, who are not members of the MCA, probably do more business with small customers than the larger organisations.

There is certainly anecdotal evidence to support the view of this type as 'quick and dirty that demand for consultants' projects'. services has grown among small firms. When the Government launched a programme to pro-vide subsidized marketing ad-vice to small firms late last

accountancy firms which appear to be hogging most of the action. They have been broadening the range of services they

the availability of good staff," he

The accountants, in contrast, see management consultancy as a natural extension of their exclaim that what they provide fits the traditional definition of

six-month assignment to a gov-ernment department as worth taking on, says Mr Colin Wright, partner in charge of business services at accountants Peat, Marwick, McLintock We might spend one or two hours kicking an idea around with a client or an afternoon or two helping him lay out a new production line in his factory."

projects.
We sell a lot of general ad-

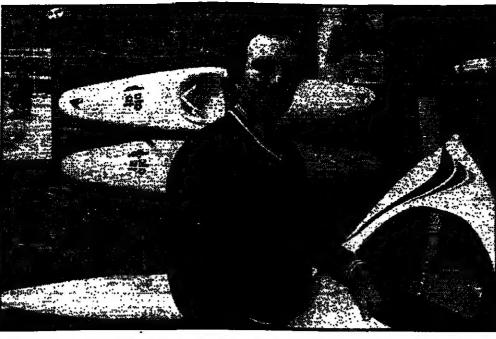
vice and work with people for a day or two to get their ideas straight, says Mr Nick Pasricha, partner in charge of small firms at accountants Arthur Young. vice to small firms late last year, more than 1,200 applications came in within the first few months and a long waiting list built up.

And yet, while the MCA figmanageable packages, so the client can relate to it and afford the manageable packages, so the client can relate to it and afford the manageable packages.

This means recruiting and training staff to meet the small firms' needs. Staff with a finan-cial background are trained as years and have lighted upon consultancy as a useful area for expansion.

The established management consultancy firms are still geared up in terms of internal organisation and fee structure.

organisation and fee structure
to serve the larger client.
Mr Paul Thornton, marketing
director for Europe at PA,
must still persuade the small Britain's leading management business that their advice is consultancy, estimates 75 per worth paying several hundred



Graham Mackereth, managing director of Pyranka Mouldings, a Euncorn-based company with £1m of turnover, reckons advice he received under the Government's marketing support scheme helped him recently win an Army order for 1,000 of his polyethylene cane Mr Mackereth says he was advised to split

his products into professional and amateur ranges; to give the two ranges different names; and to price accordingly.

To win the Army contract Mr Mackereth highlighted the special safety features of his more expensive range. The company paid £1,46 for the advice of a consultant who specialized in the province industry. specialised in the marine industry.

pounds for.

To give maximum value for money, Peats aims to crack 95 per cent of the problem in a fraction of the time it would take to go on and polish the re-maining 5 per cent, says Mr

What is it worth to the businessman to define his problem and make it go away?" he says. "It is worth paying a few hun-dred pounds to solve a problem which has taken on a dimension out of proportion to its merits and led to sleepless nights."

Small clients are generally charged in the same way as large ones - on a time basis - though Arthur Young says it is moving towards payment by results. If there is no strong con-clusion as a result of our advice, we wouldn't charge as much," says Mr Pasricha.

Requests from small busi-nesses for advice about technol-ogy are frequent. We have no-ticed a dramatic increase in the use of technology by small firms, says Mr Michael Grunberg, partner in charge of man-agement consultancy at accountants Stoy Hayward. Small companies are taking advantage of micro-computer-based networks to install things like advanced telephone systems. It's surprising because you would think they would have limited

the frequency with which its technology division is called in by small companies to speed up the development of new prod-ucts. The advantage of bringing a product more rapidly to mar-ket can more than offset the extra cost of calling in a consultant, says Mr Thornton.

Recruitment and executive search is also a common area for consultancy. Growing small firms will need to strengthen their management teams but lack the skills to do it themfor consutancy. Growing small compa-firms will need to strengthen hies cannot afford to meet the their management teams but full bill without subsidy. lack the skills to do it them-selves. Recruiting a financial management consultancies, controller or a finance director becomes necessary for the under a scheme subsidised by small firm which has previously the Highlands and Islands Debecomes necessary for the small firm which has previously depended on an outside accountant or its own managing director to crunch through the

Expanding small firms may be too small to be of interest to the venture capital funds. They often turn to consultants to help them bridge the "equity gap" for amounts below £250,000. And advice is frequently sought on marketing: small firms often need help to identify and attack

Despite growing evidence that small firms have an appe-tite for management consultan-cy services, the rate of growth will depend very much on the continuation of government continuation of government subsidized schemes like the one introduced last September for

drop the Productivity element of the Business and Technology Advisory Services support scheme, which helped firms with technical innovation, has had a major impact on the use of consultants, says Mr Grunberg Stoy Hayward was helping 50 small firms a year under this scheme but expects numbers to Unfortunately. The bouncescheme but expects numbers to drop off because small compa-

welopment Board. Mr Dennis Henry, Inbucon's Scottish re-gional director, agrees that such small projects would not be attractive to his organisation but for the backing of the board. The accountants may be mak-ing the running at the moment in signing up small firms' busi-ness, but as the small company grows it becomes more able to pay for traditional in-depth con-sultancy work - whether from the accountancy firms or the traditional consultancies

"It is a natural transition for them to use mainstream consul-tancy, says Mr Pasricha. They have already made what is the big jump for many small businesses by calling in an outside adviser in the first place."

## Recruitment consultants

## Counting the heads

a reputation for looking on the bright side even when the portents are less than propitious. When you ask them how's business," says Jim Kennedy, US publisher of Consultants' News and long-time observer of the international consultancy trade, "they typically say: 'Fine! But we're not worried."

Those in the UK, however, at

resent seem to have no need to force themselves to be optimis-tic. For the omens suggest that consultancy services can look forward to buoyant demand. One such sign lies in the counts of advertised job-open-

ings for managers and high-grade specialist workers which are made every three months by the MSL International consultancy, now part of Saatchi and Saatchi Since the county began in 1959 they have Saatchi and Saatchi Since the counts began in 1959 they have indicated that UK demand for executives and top specialists moves in cycles: a continued rise over about four years is followed by an unbroken drop over a similar length of time. As the most recent continued

upswing gave way to a fall in mid-1985, MSL's trend-watchers

Unfortunately, the bounce-back did not betoken improved job-getting prospects for all managers and specialists. Demand for most categories of them had continued to fall as expected. The upturn was due entirely to increased recruit-ment of just two broad types. One was finance and accountancy staff, who were wanted by employers in a wide variety of industries. This was presumably to replace financial people lured by princely rewards to work in the City in the wake of last autumn's Big Bang. The other group enjoying increased demand consisted of a miscellademand consisted of a miscella-ny of specialists such as opera-tional researchers and corporate planners. Almost without

exception, they were being sought by consultancies.

The consultancy trade is gaining from a desire by companies, especially successful new venespecially successful new ven-tures, to keep down their num-bers of permanent staff. There is a growing tendency to employ full-time only the minimum of people directly needed to pro-vide and sell the company's

central activities profitably.

Other operations now tend to be subcontracted to part-timers or, where expertise of a professionconsultants

The specialist field in which there is the firmest evidence of the trend to subcontracting is personnel work. A research study, based on questionnaires completed by people responsible for such work in 350 British businesses and public-sector concerns, was recently published by the Institute of Personnel Memoratoria.

sonnel Management\*.

The study found that reliance on external consultants for personnel services "is substantial and increasing" in all types and sizes of organisations. Moreover, the farming-out was mainly growing not in the odds and ends of personnel work, but in key activities such as recruit-ment, selection, and training ment, selection, and training.
In recruitment and selection, in particular, the use of consultants may well be even greater than the study indicated. Follow-ups showed that when the 350 organisations' in-house personnel staff were asked to list tasks that had been subcontracted, they tended to forget about farmed-out work that was done largely away from their organisation's own premises.

ganisation's own premises.

The recruitment branch of consultancy is no simple thing. Some members of the branch work exclusively by offering posts to all-comers through ad-

vertisements; some confine their approaches to individuals previously identified as likely to fit the job; others use both There are sub-divisions, too. One type of advertising-based operator only designs and places the ads, collects the re-plies, and sends them to the client employer to be sifted. An-

ent employer to be sifted. Another type goes farther, winnowing down to a short-list of evidently suitable people.

The "executive searchers' specializing in the individual-approach method also come in different strains. "Retainer' searchers insist on a handsome sum in return just for seeking candidates, only a small part of the charge being dependent on the charge being dependent on their successfully filling the job. The "contingency" variety will accept payment solely on

Nobody knows for sure which of the two main types - advertis-ing-based or search operators -is doing the better out of the growth in subcontracting. But

the Institute of Personnel Management's report indicates that the use of search is concentrated more heavily than the advertisement method on recruit ing for higher-level jobs.

What appears certain is that employers are tending to keep all types of external recruiters on a tighter rein than search specialists, at least, were on in

specialists, at least, were on in previous years. The days are going when searchers could expect to be personally appointed by the chief executives of client organisations, and thereafter report to the very top.

The Institute's study shows that there is emerging a new breed of in-company heads of personnel who, unlike their predecessors, see their specialist responsibilities as secondary to their role as business managers. They are consemanagers. They are conse-quently loath to risk weakening themselves politically in their organisations by surrendering power over senior level recruit-ment

As one of the new breed who took part in the study observed: "Consultants can take over your role. They can come into the company and make contact with your managing director... and you can lose control if you're not careful."

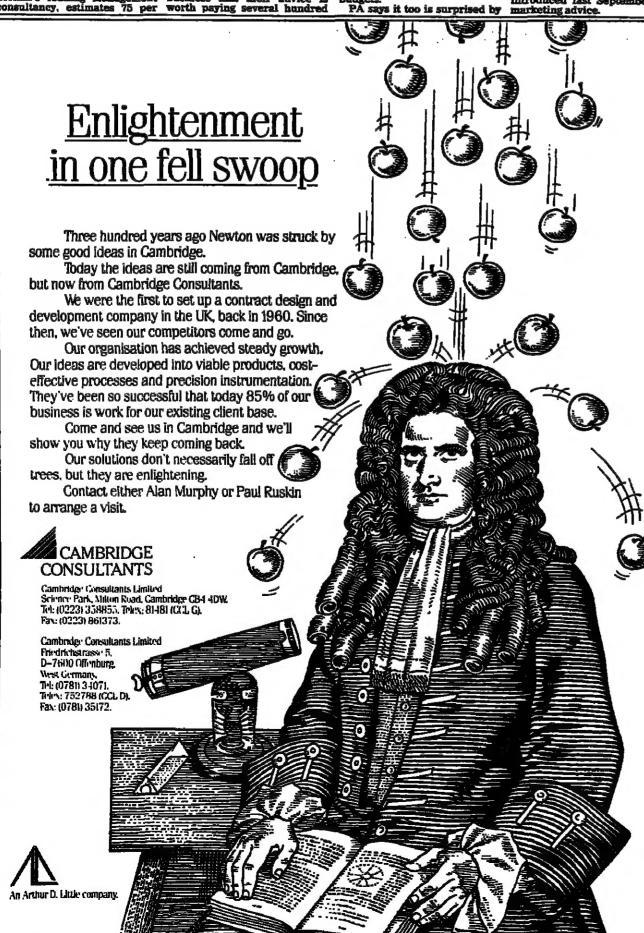
But if the subcontracting

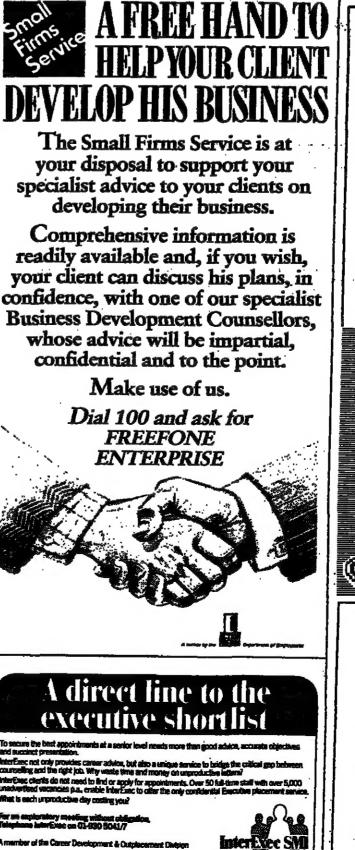
trend causes in-house person-nel bosses to work less as specialist experts than as chief buyers of external services. they will surely need more than political skill to ensure that their company shops wisely on the outside market.

They will have to be sensitively aware of which broad approach is best suited to recruiting for a particular job. They will also need to consider the will also need to consider the numerous detailed selection methods that are available for use within the broad approach, and of the likely effectiveness of the many different consul-tants who can be hired to use

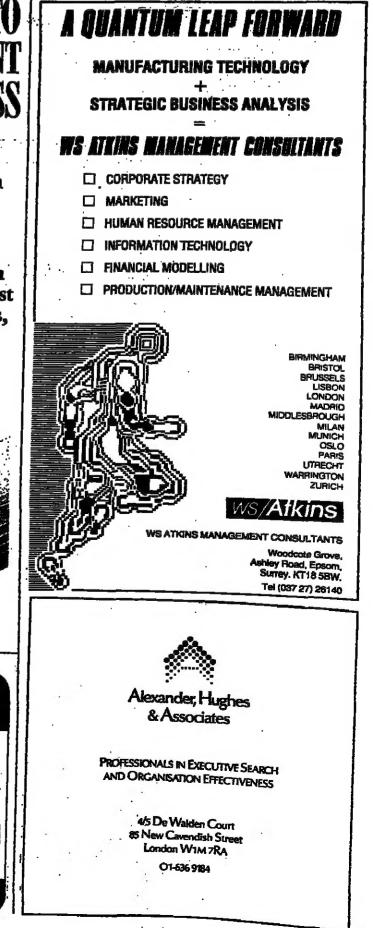
variability of the external market, we may even see a further development - companies filling their top personnel jobs from the ranks of recruitment consul-tants. After all, it has often been said that nobody makes a better gamekeeper than a former

\* The changing nature of per-sonnel management, by L Mackey and D Terrington. IPM (Camp Road, London SW19 4UW), £20. **Mertin Dickson** 





FOR ACCOUNTANTS





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**US** consulting

## Eat or be eaten

DR DANIEL YERGIN START- with Andersen's \$635m. ED Cambridge Energy Research Associates (Cera) in of growth has been in corporate 1982, after oil prices had restructuring and slimmingpeaked but, he recalled, there was a sense that Opec would do under pressure of takeover hold things together. Since through investment bankers' then, the Massachusetts-based quick redeployment of assets, a consulting group has seen oil

primary factor in international Running up to half-a-dozen trade and economics, Dr Yergin such programmes at a time, Crehas positioned Cera to advise fi-sap has combined acquisitions primary factor in international

Cera produces reports for James Capel in London and management consultants Ar-thur Andersen, as well as publishing for clients its own quar-terly World Oil and Natural Gas Watches, Private Reports and

While still very much concentrating on the energy sector, Dr Yergin has also advised Japanese companies on how to make direct investment in America without friction, an issue that goes beyond, but also includes,

seeing opportunities as ex-tensions of existing business may be an area management consultants tell clients about, but it is also an important aspect of their own futures. Management consulting has slowed its overall income growth to about 15 per cent a year, according to James H Kennedy, the ed-

itor and publisher of Consulting News, the industry newsletter. Growth has tended to come recently from acquisition, which puts American consult-ing groups in a predatory phase ing groups in a predatory phase of eat or be eaten Rodman L Drake, managing director of Cresap, McCormick and Paget, a division of the second largest consulting group, Towers Perrin, Forster & Crosby, says: There will be two or three major companies in our area of edjor companies in our area of advising top management and we intend to be one of them."

With Tower Perrin's financial strength behind it Cresap has doubled in size in the past five years, buying consultants in Toronto, for instance, to open a Canadian practice. Towers' par-ent, which specialises in advis-ing on pensions, employee-ben-efits and insurance, has itself grown steadily to the point where it follows only Arthur Andersen as the largest Ameri-can consulting group, with reve-nues in 1986 of \$380m compared

One of Cresap's major areas

down. What a corporation may quick redeployment of assets, a prices plunge but its own business burgeon from an initial using the commitment of a corporate chief executive instead

nancial institutions and indus- with internal expansion, thanks trial corporations as well as oil in part to the time-consuming companies. As he says, energy and personnel-consuming resprices are interconnected with tructuring work. These threethe strategic planning any com-pany has to do". to-six month assignments use as many as half a dozen Cresap Cera produces reports for consultants working full time as part of a client's restructuring programme. Cresap sets up task forces it participates in, but insists the client puts its own per-sonnel in as well.

> Supermarkets increasingly have onpremises baking and delicatessen counters fighting packaged goods which grab added value

ings may seem particularly suited to the co-operative approach, where only an insider would know which employees to keep, retrain or let go. But even in the logistics field, the onceunglamourous area of ware-housing delivery and physical distribution, consultants insist on teamwork with the client

Jim Spira, president of Cleveland Consulting Associates (CCA), which specialises in physical distribution, says: "We don't work as "outside experts" who come in, do a job and then who come in, do a job and then leave the clients with a thick report of recommendations they lack the resources to act upon. Instead, our people and the clients' staff work together, from the early problem-definition phase right through to implementation of long-term business and technical solutions."

CCA a 13-year-old Ohio-based

and technical solutions."

CCA, a 13-year-old Ohio-based consultancy with a staff of 70, has become part of the field's consolidation, having been bought earlier this year by Saatchi & Saatchi. The Seatchis' interest also reflects a growing concentration on, and new recognition of, the importance

of logistics in matching suppli-ers and customers.

The field ranges from drug distributors that now let retail druggists type orders direct into their warehouses via computer, to routeing deliveries through crowded streets in the most efficient way. These advances in logistics depend on computers, but Robert Munro of AT Kearny claims that sometimes the best logistics use low-tech solutions.

Jim Kennedy of Consulting News notes that the consulting field has "come full circle, returning now to an emphasis on production and manufacturing, where consulting began in the 1920s. Having passed through phases of advising on marketing, strategic planning and market share, consultants now are improved officiency. improving efficiency.

For logistics, the Japanes just-in-time method of distri-bution began a rethinking in the field that has now been extend-ed to cover a company's whole approach to customers and sup-pliers. Deregulation of the American trucking industry in 1980 also encouraged a rethink that increasingly sees custom-ers expecting delivery at pre-cise times in the day.

Robert E Sabath, vice president and director of the logistics practice at AT Kearny, notes that his work for clients often begins by surveying their customers to define the service required. We find that the customers usually want less costly but also differently-arranged services. That then backs into questions of types of products, volumes, cycle time, order, ship, packing, equipment and proce-

He sees in the supermarket and packaged food businesses the makings of a major turf bat-tle over who gets the added value'. Supermarkets increasingly have on-premises baking and delicatessen counters fighting packaged goods which grab ad-ded value with whole meals in a

Management Horizons, a con-Management Horizons, a consulting division of accountants Price Waterbouse, is helping retailers apply Direct Product Profitability as a more sophisticated form of cost management. Retailing has become the focus of much of the recent work because of the continuing proliferation of products. This under eration of products. This under-lines the move to manufacturing and production consulting, as the field consoli-dates and goes back to basics.

Financial services

## Demand for strategy

that are recognised specialists in the market - and outsiders will find it hard to establish their credentials.

I think the demand is there to support another rival or two,"
says Mr Norman Bernard, a
partner with Booz Allen, which is still enjoying the boom, de-spite the well-publicised loss of a number of its specialists. "We turn a lot of the smaller jobs away," agrees Mr Vernon Ellis, head of Arthur Andersen's UK consulting operations.

McKinsey, Booz Allen and Boston Consulting Group are the recognised leaders in the market. The large accountancy firms and systems houses, meanwhile, have built a market share through their systems ex-

They are the plumbers and the mechanics, not the archi-tects," says Mr Chris Batt, one of those who defected from Booz. It is an image that the accoun-

tants are trying to fight off.
Ironically, Mr Batt is himself now with accountants Spicer & Pegler - though the firm's approach to financial services consulting is poles apart from

other firms.
Strategic advice has been greatly in demand. The convergence of commercial banking, securities dealing and advisory services in a number of centres has forced every provider of financial services to take a fresh look at where they are heading. The signs are that the think-ing behind the rapid growth of

ing beaund the rapid growth of some financial services businesses in recent years was not right. The merger of British merchant bank Hill Samuel with the TSB banking group was an admission that Hill Samuel had been wrong to try to build a full-service securities and banking operation. banking operation.

Others have pulled out of cer-tain markets in the face of ex-treme competition. At one end of the scale, Lloyds Bank aban-doned its Eurobond business in London, while at the other, the giant Salomon Brothers announced that it would pull out of a number of the US's cut-throat debt markets as part of a refocusing of its operations.

Observers are now waiting to see which institution will be next to swallow its pride and admit it was wrong.

London is the favoured location for such an announcem the rapidity with which the City's stockbrokers and traders were snapped up when bars on

THE UPHEAVAL in the financial services world has left consulting firms turning away
ers thought through their stratework. There are relatively few gies, say the consultants, Acgies, say the consultants, Ac-cording to Mr Alan Morgan, head of McKinsey's UK finan-

cial services practice, the sec-ond wave of the City's restructuring is just getting under way.

Needless to say, the consultants are coy about taking any blame for the strategic mistakes. More use of their services, rather than less, would have prevented some of the bust-ups they say it strikes me operations, Mr Chris Batt.

bust-ups, they say. It strikes me that some of the players didn't use consultants, didn't think it through, didn't learn from the US experience," says Mr Bergave Booz some worries at the

As a result, most British insti-tutions will find themselves caught between two stools, he says. They are not large enough The demand for consultancy

says. They are not large enough to take on their international competitors, but too broad in their scope to carve out any strong niches.

They have a tough decision to make: to strip themselves of the nnnecessary parts of their business, concentrating on their strengths, or to find a larger partner. It is a decision that comes very hard to managers, says Mr Bernard. It think we will see many more of these heart-searching decisions being made." Strategic work leads naturally

to advising about how institu-tions should be organised and how they should operate. The "strategy" consultants look to these areas for much of their work. In one of the few such jobs to become public, Spicer & Pegler was called in by Morgan Grenfell at the beginning of the year, to sort out the bank's or-

year, to sort out the bank's organisation and operations following a succession of scandals.

At the opposite end of the
consulting spectrum, the
systems demands imposed by
the changes in the financial services industry has given the accountants plenty to get their
teeth into. While the wholesale
banks integrate their internabanks integrate their interna-tional networks and grapple with the reporting problems of new financial instruments, the retail banks are learning new techniques as retail financial services become increasingly competitive. competitive.

London's upheaval in the past 18 months has produced an enormous effort by the systems experts, says Mr Vernon Ellis, head of the London operations of Arthur Andersen, the largest consultancy in this area.

But the work is far from over. Many systems were put in place
"very, very quickly" - giving rise
to immense teething problems
in some cases, says Mr Ellis
Around 40 per cent of Andersen's business is in the financial services sector.

Andersen is using its systems base to expand into other con-sultancy markets. Creating glob-al management information systems, for instance, gives the firm a say in the wider issues of planning and strategy, says Mr

Information technology is moving out of the back offices of financial institutions and now inancial institutions and now directly affects dealers and top management. "It raises some profound questions of organisa-tional change," says Mr Ellis.

tional change," says Mr Ellis.

Andersen is following the software out of the backroom. As much as a half of the firm's work involves more than information technology, he says. In another development, Andersen now offers to run computer facilities for clients. It claims at least one major banking client for which it is running all computing operations, pend-

supply of consultants, head-hunting is becoming rife. Spicer & Pegler, the accounting firm, gave the market a new dimension earlier this year when it acquired a team of eight consultants from Booz Allen, including the head of its European

Booz, which claims it lost only four consultants, says it is unaf-fected by the loss. We are billing more and doing a wider range of work for more institu-tions than when Chris was here," says Mr Bernard - though he admits that Batt's departure

The demand for consultancy services is giving rise to a number of specialist consulting operations, of which Spicer's is the most prominent to date. It has set up a separate subsidiary, known as Spicer & Oppenheimer Consultants (the Oppenheim tag is used by Spicer's international accounting groun).

Under Mr Batt, it plans to grow a small specialist team op-erating in the main financial erating in the main mancial centres. It will ship staff around the world, rather than seek to build domestic strength in each centre. Finance is an "amazing-



homogenous industry, says

S&O plans to grow its 40 staff to 100 in its three existing of-fices in London, Hong Kong and Singapore, New York and possibly Tokyo are the next targets.

But it plans never to employ more than 200 consultants, "If you get any bigger than that, you start to dilute the quality of work you do. The whole place becomes more monolithic and a

The firm plans to exploit what it calls the "European/Asian ax-is". The worldwide dominance of US consulting firms is not always in clients' interests, it be-

lieves. There is scope for a rival, European-based firm.

Mr Batt believes that the specialists are here to stay. He says of his competitors that "they have all lost their way. The era of the generalist is dead. To be pre-eminent, you have to focus."

Firms like McKinsey are unlikely to admit defeat so soon.
Competitors need to establish "an ongoing bank of satisfied clients," says Mr Morgan. Until they have done that, and have gone through their own growing points, they will be unable to pains, they will be unable to challenge the established ex-

Richard Waters



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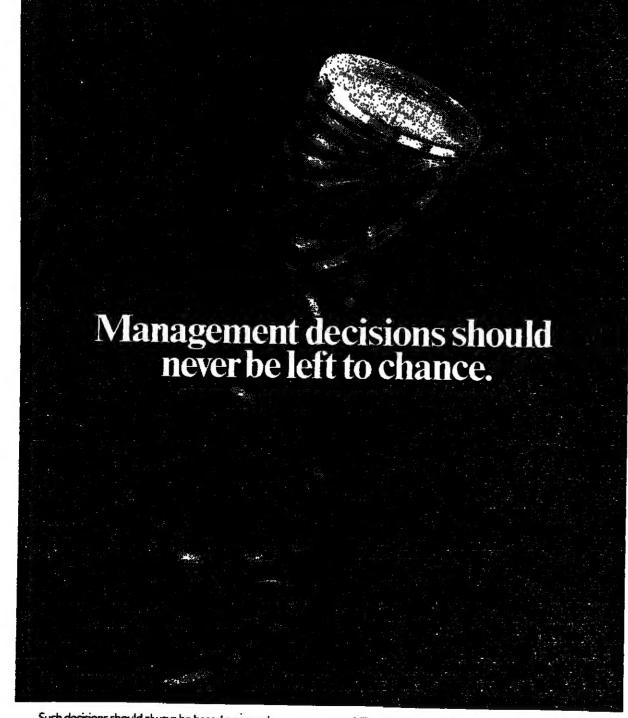
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